



Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

| | |
|--|----------------|
| Executive Mayor | MS Mofokeng |
| Speaker | ME Tsokolibane |
| Chief whip | MC Sale |
| Members of mayoral committee | |
| MMC - Infrastructure planning, development and asset management (IPAM) | K Ntombela |
| MMC - Human settlement | MJ Moshoaluba |
| MMC - Public safety | BP Maseko |
| MMC - Corporate and governance | B Mncube |
| MMC - Health and social development | S Sengoatsi |
| MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries | LE Kele |
| MMC - Environmental management and planning | DM Malisa |
| MMC - Finance and revenue | R Thema |
| MMC - Basic services | NR Thulo |
| MMC - Agriculture, local economic development, development planning and tourism | TS Nquba |

Accounting Officer

D Nkoane

Chief Finance Officer (CFO)

M Maseanoka

Auditors

Auditor-General of South Africa

Primary banking institution

Standard bank of South Africa

Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Postal address

P.O Box 3
Vanderbijlpark
1900

Telephone number

(016) 950 5000

Fax number

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Email

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Website

www.emfuleni.gov.za

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

| Index | Page |
|---|-------------|
| Accounting Officer's responsibilities and approval | 3 |
| Statement of financial position | 4 |
| Statement of financial performance | 5 |
| Statement of changes in net assets | 6 |
| Cash flow statement | 7 |
| Statement of comparison of budget and actual amounts | 8 - 11 |
| Accounting policies | 12 - 28 |
| Notes to the annual financial statements | 28 - 78 |
| Appendixes: | |
| Appendix A: Schedule of external loans | 80 |
| Appendix B: Analysis of property, plant and equipment | 81 |

Abbreviations

| | |
|-------|---|
| ELM | Emfuleni Local Municipality |
| DBSA | Development Bank of South Africa |
| GRAP | Standards of Generally Recognised Accounting Practice |
| RUL | Remaining Useful Life |
| EUL | Estimated Useful Life |
| AUC | Asset under construction |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Local Government : Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| AFS | Annual Financial Statements |
| PAYE | Pay As You Earn |
| UIF | Unemployment Insurance Fund |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 5 to 90, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearer's act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

D Nkoane
Municipal Manager

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

| | Note(s) | 2017 R | 2016 Restated* R |
|--|---------|-----------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 66 839 955 | 125 928 879 |
| Trade and other receivables from exchange transactions | 3 | 310 425 026 | 241 751 301 |
| Trade and other receivables from non-exchange transactions | 4 | 235 412 664 | 243 033 604 |
| Inventories | 5 | 58 862 552 | 58 791 545 |
| VAT receivable | 6 | 175 291 517 | 107 098 234 |
| | | 846 831 714 | 776 603 563 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 9 789 052 652 | 9 892 928 194 |
| Investment property | 8 | 1 422 643 946 | 1 405 108 547 |
| Intangible assets | 9 | 17 838 329 | 18 049 449 |
| Heritage assets | 10 | 90 316 | 90 316 |
| Sanlam shares | | 17 470 | 16 279 |
| | | 11 229 642 713 | 11 316 192 785 |
| Total Assets | | 12 076 474 427 | 12 092 796 348 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 11 | 2 065 462 797 | 1 404 711 637 |
| Unspent conditional grants and receipts | 13 | 20 320 872 | 7 840 806 |
| Borrowings | 14 | 2 719 829 | 4 405 728 |
| Finance lease | 15 | 6 849 736 | - |
| Provision | 16 | 15 269 952 | 9 439 218 |
| Bank overdraft | 2 | 87 630 391 | 48 666 507 |
| | | 2 198 253 577 | 1 475 063 896 |
| Non-current liabilities | | | |
| Consumer deposits | 12 | 46 953 563 | 44 884 636 |
| Borrowings | 14 | 8 768 347 | 11 488 176 |
| Provision | 16 | 153 534 585 | 135 119 545 |
| Employee benefit obligation | 38 | 209 760 970 | 208 836 970 |
| Finance lease | 15 | 10 670 337 | - |
| | | 429 687 802 | 400 329 327 |
| Total liabilities | | 2 627 941 379 | 1 875 393 223 |
| Net assets | | 9 448 533 048 | 10 217 403 125 |
| Reserves | | | |
| Self insurance reserve | 47 | 2 139 552 | 24 220 470 |
| Accumulated surplus | | 9 446 393 496 | 10 193 182 627 |
| Total Net Assets | | 9 448 533 048 | 10 217 403 097 |

* See Note

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

| | Note(s) | 2017 R | 2016 Restated* R |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 17 | 3 665 346 702 | 3 403 178 196 |
| Rental of facilities and equipment | 18 | 12 043 370 | 12 005 429 |
| Trade and other licenses | | 117 359 | 99 170 |
| Actuarial gain | | 10 240 881 | 7 950 631 |
| Other income | 20 | 136 469 510 | 137 312 563 |
| Interest income | 19 | 53 149 426 | 44 666 223 |
| Dividends received | 19 | - | 3 025 |
| Total revenue from exchange transactions | | 3 877 367 248 | 3 605 215 237 |
| Revenue from non-exchange transactions | | | |
| Property rates | 21 | 660 532 525 | 598 394 248 |
| Interest received | | - | 2 671 681 |
| Donations | | 17 790 144 | 56 705 650 |
| Fines | 23 | 165 126 155 | 128 278 156 |
| Transfer revenue | | | |
| Government grants & subsidies | 22 | 869 359 907 | 884 953 489 |
| Total revenue from non-exchange transactions | | 1 712 808 731 | 1 671 003 224 |
| Total revenue | | 5 590 175 979 | 5 276 218 461 |
| Expenditure | | | |
| Employee related costs | 24 | (1 156 508 353) | (955 415 245) |
| Remuneration of councillors | 25 | (49 341 720) | (47 012 902) |
| Depreciation and impairment | | (479 227 086) | (444 652 379) |
| Finance costs | 26 | (102 867 099) | (64 091 964) |
| Debt Impairment | | (1 141 400 998) | (726 687 941) |
| (Loss)/Gain on sale of assets | | (4 197 325) | 1 869 772 |
| Repairs and maintenance | | (233 882 688) | (130 914 492) |
| Bulk purchases | 27 | (2 216 006 120) | (2 152 372 625) |
| Contracted services | | (145 882 912) | (116 558 302) |
| Imputed interest | | 7 610 230 | 12 059 418 |
| General expenses | 28 | (978 293 508) | (971 340 402) |
| Total expenditure | | (6 499 997 579) | (5 595 117 062) |
| Operating deficit | | (909 821 600) | (318 898 601) |
| Fair value adjustments | | 140 951 550 | 32 685 328 |
| (Deficit)/surplus for the year | | (768 870 050) | (286 213 273) |

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of changes in net assets

| | Insurance reserve R | Accumulated surplus R | Total net assets R |
|---|---------------------------|-----------------------------|-----------------------|
| Balance at 01 July 2015 | 25 578 843 | 10 485 784 848 | 10 511 363 691 |
| Changes in net assets | | | |
| Adjustment 2014/15 | - | (7 747 321) | (7 747 321) |
| Net transfers in net assets | - | (7 747 321) | (7 747 321) |
| Surplus for the year | - | (286 213 273) | (286 213 273) |
| Total recognised income and expenses for the year | - | (293 960 594) | (293 960 594) |
| Other 2 | (1 358 373) | 1 358 373 | - |
| Total changes | (1 358 373) | (292 602 221) | (293 960 594) |
| Opening balance as previously reported | 24 220 470 | 10 126 630 884 | 10 150 851 354 |
| Adjustments | | | |
| Adjustment 2015/2016 | - | 66 551 744 | 66 551 744 |
| Restated* Balance at 01 July 2016 as restated* | 24 220 470 | 10 193 182 628 | 10 217 403 098 |
| Changes in net assets | | | |
| Deficit for the year | - | (768 870 050) | (768 870 050) |
| Other 1 | (22 080 918) | 22 080 918 | - |
| Total changes | (22 080 918) | (746 789 132) | (768 870 050) |
| Balance at 30 June 2017 | 2 139 552 | 9 446 393 496 | 9 448 533 048 |

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash flow statement

| | Note(s) | 2017 R | 2016 Restated* R |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 2 688 903 460 | 2 601 219 256 |
| Grants | | 881 839 973 | 862 268 037 |
| Interest income | | 13 581 187 | 23 134 709 |
| Dividends received | | - | 3 025 |
| Other receipts | | 719 653 337 | 883 775 338 |
| | | <u>4 303 977 957</u> | <u>4 370 400 365</u> |
| Payments | | | |
| Employee costs | | (1 194 685 192) | (964 457 601) |
| Suppliers | | (1 935 091 584) | (2 240 109 024) |
| Finance costs | | (64 822 058) | (24 278 138) |
| Other payments | | (986 168 428) | (954 307 015) |
| | | <u>(4 180 767 262)</u> | <u>(4 183 151 778)</u> |
| Net cash flows from operating activities | 29 | <u>123 210 695</u> | <u>187 248 587</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | (224 576 814) | (242 357 562) |
| Proceeds from sale of assets | 7 | 9 574 374 | 9 482 913 |
| Purchase of intangible assets | 9 | (1 311 591) | (134 946) |
| Net cash flows from investing activities | | <u>(216 314 031)</u> | <u>(233 009 595)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (2 719 829) | (4 268 305) |
| Movement in consumer deposits | | 2 068 927 | 2 503 737 |
| Finance lease payments | | (4 298 548) | - |
| Net cash flows from financing activities | | <u>(4 949 450)</u> | <u>(1 764 568)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(98 052 786)</u> | <u>(47 525 576)</u> |
| Cash and cash equivalents at the beginning of the year | | 77 262 372 | 123 981 682 |
| Effect of corrections on cash balances | | - | 806 266 |
| Cash and cash equivalents at the end of the year | 2 | <u>(20 790 414)</u> | <u>77 262 372</u> |

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

| | Approved budget R | Adjustments R | Final Budget R | Actual amounts on comparable basis R | Difference between final budget and actual R | Reference |
|--|------------------------|---------------------|------------------------|---|---|-----------|
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 4 340 335 767 | (39 291 913) | 4 301 043 854 | 3 665 346 702 | (635 697 152) | |
| Rental of facilities and equipment | 13 743 609 | 5 403 047 | 19 146 656 | 12 043 370 | (7 103 286) | |
| Trade and other licenses | 13 051 | 100 342 | 113 393 | 117 359 | 3 966 | Note 41 |
| Actuarial gain | - | - | - | 10 240 881 | 10 240 881 | Note 41 |
| Other income | 54 144 558 | 27 674 477 | 81 819 035 | 136 469 510 | 54 650 475 | |
| Interest received | 47 815 281 | (4 872 175) | 42 943 106 | 53 149 426 | 10 206 320 | Note 41 |
| Total revenue from exchange transactions | 4 456 052 266 | (10 986 222) | 4 445 066 044 | 3 877 367 248 | (567 698 796) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 787 746 962 | 183 761 414 | 971 508 376 | 660 532 525 | (310 975 851) | |
| Donations | - | - | - | 17 790 144 | 17 790 144 | |
| Fines | 169 260 357 | (115 017) | 169 145 340 | 165 126 155 | (4 019 185) | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 869 843 056 | 20 586 260 | 890 429 316 | 869 359 907 | (21 069 409) | |
| Total revenue from non-exchange transactions | 1 826 850 375 | 204 232 657 | 2 031 083 032 | 1 712 808 731 | (318 274 301) | |
| Total revenue | 6 282 902 641 | 193 246 435 | 6 476 149 076 | 5 590 175 979 | (885 973 097) | |
| Expenditure | | | | | | |
| Personnel | (1 054 424 383) | 37 347 145 | (1 017 077 238) | (1 156 508 353) | (139 431 115) | |
| Remuneration of councillors | (48 832 209) | 85 262 | (48 746 947) | (49 341 720) | (594 773) | |
| Depreciation and amortisation | (402 058 656) | (315 924) | (402 374 580) | (479 227 086) | (76 852 506) | |
| Finance costs | (10 331 589) | - | (10 331 589) | (102 867 099) | (92 535 510) | |
| Bad debts written off | (736 001 189) | (193 863 431) | (929 864 620) | (1 141 400 998) | (211 536 378) | |
| (Loss)/gain on disposal of assets | - | - | - | (4 197 325) | (4 197 325) | |
| Repairs and maintenance | (259 523 665) | (330 246) | (259 853 911) | (233 882 688) | 25 971 223 | |
| Bulk purchases | (2 391 311 493) | 59 000 000 | (2 332 311 493) | (2 216 006 120) | 116 305 373 | |
| Contracted services | (186 793 582) | 38 622 633 | (148 170 949) | (145 882 912) | 2 288 037 | |
| Imputed interest | - | - | - | 7 610 230 | 7 610 230 | |
| General Expenses | (847 952 498) | 153 378 501 | (694 573 997) | (978 293 508) | (283 719 511) | |
| Total expenditure | (5 937 229 264) | 93 923 940 | (5 843 305 324) | (6 499 997 579) | (656 692 255) | |
| Operating deficit | 345 673 377 | 287 170 375 | 632 843 752 | (909 821 600) | (1 542 665 352) | |
| Fair value adjustments | - | - | - | 140 951 550 | 140 951 550 | |
| Deficit before taxation | 345 673 377 | 287 170 375 | 632 843 752 | (768 870 050) | (1 401 713 802) | |
| Actual amount on comparable basis as presented in the budget and actual comparative statement | 345 673 377 | 287 170 375 | 632 843 752 | (768 870 050) | (1 401 713 802) | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

| | Approved budget R | Adjustments R | Final Budget R | Actual amounts on comparable basis R | Difference between final budget and actual R | Reference |
|--|-----------------------|------------------------|-----------------------|---|---|-----------|
| Statement of financial position | | | | | | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Inventories | 30 000 000 | (1 340 000) | 28 660 000 | 58 862 552 | 30 202 552 | |
| Trade and other receivables from non-exchange transactions | 200 000 000 | 174 390 000 | 374 390 000 | 235 412 664 | (138 977 336) | Note 41 |
| VAT receivable | - | - | - | 175 291 517 | 175 291 517 | Note 41 |
| Trade and other receivables from exchange transactions | 453 685 000 | (12 127 000) | 441 558 000 | 310 425 026 | (131 132 974) | |
| Cash and cash equivalents | 91 125 000 | 15 948 000 | 107 073 000 | 66 839 955 | (40 233 045) | Note 41 |
| | 774 810 000 | 176 871 000 | 951 681 000 | 846 831 714 | (104 849 286) | |
| Non-current assets | | | | | | |
| Investment property | 1 373 409 000 | 28 650 000 | 1 402 059 000 | 1 422 643 946 | 20 584 946 | |
| Property, plant and equipment | 10 741 391 000 | (982 407 000) | 9 758 984 000 | 9 789 052 652 | 30 068 652 | |
| Intangible assets | 19 555 000 | (1 594 000) | 17 961 000 | 17 838 329 | (122 671) | |
| Heritage assets | 108 000 | (18 000) | 90 000 | 90 316 | 316 | |
| Sanlam shares | - | - | - | 17 470 | 17 470 | Note 41 |
| | 12 134 463 000 | (955 369 000) | 11 179 094 000 | 11 229 642 713 | 50 548 713 | |
| Total Assets | 12 909 273 000 | (778 498 000) | 12 130 775 000 | 12 076 474 427 | (54 300 573) | |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Borrowings | 2 689 000 | (508 000) | 2 181 000 | 2 719 829 | 538 829 | |
| Finance lease | - | - | - | 6 849 736 | 6 849 736 | |
| Trade and other payables from exchange transactions | 465 026 000 | 1 349 302 000 | 1 814 328 000 | 2 065 462 797 | 251 134 797 | Note 41 |
| Unspent conditional grants and receipts | - | - | - | 20 320 872 | 20 320 872 | |
| Provision | 27 584 000 | (4 591 000) | 22 993 000 | 15 269 952 | (7 723 048) | Note 41 |
| Bank overdraft | - | - | - | 87 630 391 | 87 630 391 | |
| | 495 299 000 | 1 344 203 000 | 1 839 502 000 | 2 198 253 577 | 358 751 577 | |
| Non-current liabilities | | | | | | |
| Borrowings | 16 800 000 | (5 174 000) | 11 626 000 | 8 768 347 | (2 857 653) | Note 41 |
| Finance lease | - | - | - | 10 670 337 | 10 670 337 | |
| Employee benefit obligation | 448 770 000 | (37 410 000) | 411 360 000 | 209 760 970 | (201 599 030) | Note 41 |
| Provision | - | - | - | 153 534 585 | 153 534 585 | Note 41 |
| Consumer deposits | 36 845 000 | 9 194 000 | 46 039 000 | 46 953 563 | 914 563 | Note 41 |
| | 502 415 000 | (33 390 000) | 469 025 000 | 429 687 802 | (39 337 198) | |
| Total liabilities | 997 714 000 | 1 310 813 000 | 2 308 527 000 | 2 627 941 379 | 319 414 379 | |
| Net assets | 11 911 559 000 | (2 089 311 000) | 9 822 248 000 | 9 448 533 048 | (373 714 952) | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-------------------------|-----------------------|------------------------|----------------------|--|---|-----------|
| | R | R | R | R | R | |
| Net assets | | | | | | |
| Reserves | | | | | | |
| Insurance reserve | 27 036 000 | (2 815 000) | 24 221 000 | 2 139 552 | (22 081 448) | |
| Accumulated surplus | 11 884 523 000 | (2 086 496 000) | 9 798 027 000 | 9 446 393 496 | (351 633 504) | |
| Total Net Assets | 11 911 559 000 | (2 089 311 000) | 9 822 248 000 | 9 448 533 048 | (373 714 952) | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

| | Approved budget R | Adjustments R | Final Budget R | Actual amounts on comparable basis R | Difference between final budget and actual R | Reference |
|---|------------------------|----------------------|------------------------|---|---|-----------|
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Sale of goods and services | 3 509 001 000 | (1 471 184 000) | 2 037 817 000 | 2 688 903 460 | 651 086 460 | |
| Grants | 869 843 000 | 29 671 000 | 899 514 000 | 881 839 973 | (17 674 027) | |
| Interest income | 47 815 000 | 10 509 000 | 58 324 000 | 13 581 187 | (44 742 813) | |
| Other receipts | 829 828 000 | 772 581 000 | 1 602 409 000 | 719 653 337 | (882 755 663) | |
| | 5 256 487 000 | (658 423 000) | 4 598 064 000 | 4 303 977 957 | (294 086 043) | |
| Payments | | | | | | |
| Employee costs and suppliers | (4 899 039 000) | (32 168 000) | (4 931 207 000) | (3 129 776 759) | 1 801 430 241 | |
| Finance costs | (10 332 000) | - | (10 332 000) | (64 822 058) | (54 490 058) | |
| Other payments | - | - | - | (986 168 444) | (986 168 444) | |
| | (4 909 371 000) | (32 168 000) | (4 941 539 000) | (4 180 767 261) | 760 771 739 | |
| Net cash flows from operating activities | 347 116 000 | (690 591 000) | (343 475 000) | 123 210 696 | 466 685 696 | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | (328 917 000) | (17 955 000) | (346 872 000) | (224 576 814) | 122 295 186 | |
| Proceeds from sale of property, plant and equipment | - | - | - | 9 574 374 | 9 574 374 | |
| Purchase of other intangible assets | - | - | - | (1 311 591) | (1 311 591) | |
| (Increase)/decrease in non-current investments | - | 20 418 000 | 20 418 000 | - | (20 418 000) | |
| Net cash flows from investing activities | (328 917 000) | 2 463 000 | (326 454 000) | (216 314 031) | 110 139 969 | |
| Cash flows from financing activities | | | | | | |
| Increase(decrease) in consumer deposit | - | 1 155 000 | 1 155 000 | - | (1 155 000) | |
| Repayment of borrowings | (16 800 000) | (135 287 000) | (152 087 000) | (2 719 829) | 149 367 171 | |
| Finance lease payments | - | - | - | (4 298 548) | (4 298 548) | |
| Movement in consumer deposits | - | - | - | 2 068 927 | 2 068 927 | |
| Net cash flows from financing activities | (16 800 000) | (135 287 000) | (152 087 000) | (4 949 450) | 147 137 550 | |
| Net increase/(decrease) in cash and cash equivalents | 1 399 000 | (823 415 000) | (822 016 000) | (98 052 785) | 723 963 215 | |
| Cash and cash equivalents at the beginning of the year | 123 982 000 | (47 526 000) | 76 456 000 | 77 262 372 | 806 372 | |
| Cash and cash equivalents at the end of the year | 125 381 000 | (870 941 000) | (745 560 000) | (20 790 413) | 724 769 587 | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Trade receivables and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each quarter. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.2 Significant judgements and sources of estimation (continued)

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. These norms are based on South African Institution of Civil Engineering norms. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The discount rate was set as the nominal and zero curves as at 30 June 2017 supplied by the JSE and the CPI assumptions at each relevant time period.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June 2017. This rate is similar to the interest rate levied on arrear consumer accounts.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Property plant and equipment

The useful life of property plant and equipment are based on management's estimation. Infrastructure assets useful life are based on technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.

Self- insurance reserve

A self-insurance reserve has been established which covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Other

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts.

1.3 Investment property

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and fair value of investment property reflects market conditions at the reporting date.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.3 Investment property (continued)

Where investment property is acquired through a none exchanged transaction, it's cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up, is recognised in surplus or deficit when the compensation becomes receivable.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. A gain or loss arising from the disposal or retirement of an item of investment property is determined as difference between the proceeds and the carrying value and is recognised in the statement of financial performance.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

Property, plant and equipment are measured at fair value at the date of acquisition, where assets have been acquired by donation or grant and for assets that are newly identified through formal assets verification procedures for which cost records are not available or not reliable at the date of acquisition

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

After initial recognition property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Enhancement to property, plant and equipment do not qualify as assets unless these extend the usefull life of the enhanced property, plant and equipment. Day to day servicing cost of an assets are not recognised in the carrying amount of an item of property, plant and equipment.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.4 Property, plant and equipment (continued)

Major spare parts, standby equipment which are expected to be used for more than one period are included in the property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (Cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

| Item | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Infrastructure | | |
| • Roads and paving | | 20 |
| • Electricity | | 50-60 |
| • Water | | 15-20 |
| • Sewerage | | 15-20 |
| • Housing | | 30 |
| Community assets | | |
| • Buildings | | 30 |
| • Recreational facilities | | 20-30 |
| • Security | | 5 |
| Other assets | | |
| • Buildings | | 30 |
| • Specialised vehicle | | 10 |
| • Other vehicles | | 5 |
| • Office equipment | | 3-7 |
| • Furniture and fittings | | 7-10 |
| • Water craft | | 15 |
| • Bins and containers | | 5 |
| • Specialised plant and equipment | | 10-15 |
| • Other items of plant and equipment | | 2-5 |
| • Landfill sites | | 30-55 |
| • Computer software | | 3-5 |
| • Art, paintings, sculptures and ornaments | | 10 |

An asset only has a residual value when the useful life of the asset(the period the asset is used or available for use) is shorter than the economic life of the asset(the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus and deficit.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

Initial measurement

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

If an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of its acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

Websites

Initial recognition.

Website are internally generated intangible assets that are initially recognised at the value of improvement/development costs in terms of IGRAP16.

The cost of an internally generated intangible asset (website) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent measurement

After initial measurement, websites will be carried at cost less any accumulated amortisation and impairment loss.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

An intangible assets arising from development (or from development phase of an internal project) is recognised when:

- It is technically feasible to complete the assets so that it will be available for use or sale;
- there is an intention to complete and use or sell;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there is available technical, financial and other resources to complete the development and to use or sell the assets;
- the expenditure attributable to the assets during its development can be measured reliably.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life the residual value is always deemed zero unless:

- A third party has committed to purchase the asset at the end of the useful life;
- There is an active market for the asset and
 - a) the residual value can be determined by reference to that market; and
 - b) it is probable that such market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|--------------------|
| Computer software, internally generated | 3-5 years |
| Computer software, other | 3-5 years |
| Intangible assets under development | 3-5 years |
| Servitudes | Indefinite |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Heritage assets are defined as any asset that has a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Recognition and measurement

Initial recognition

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment.

An impairment is reversed only to the extent that the asset's carrying amount that would have been determined had no impairment been recognised.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising from the disposal or retirement of heritage asset is determined as a difference between the sales proceeds and the carrying value of the heritage assets and is recognised in the statement of financial performance.

1.7 Financial instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| <u>Class</u> | <u>Category</u> |
|--|-----------------------------------|
| Cash and cash equivalents | Financial asset at amortised cost |
| Trade and other receivables from exchange transactions | Financial asset at amortised cost |
| Consumer debtors | Financial asset at amortised cost |
| Long term receivables | Financial asset at amortised cost |
| Investments | Financial asset at amortised cost |

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| <u>Class</u> | <u>Category</u> |
|---|--|
| Borrowings | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.7 Financial instruments (continued)

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is de-recognised or impaired, or through the amortisation process.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.7 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress, water, the ash and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2014. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. Assets that generate a commercial return are those that generate positive cashflows which are expected to be significantly higher than the cost of the assets. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than the carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.10 Impairment of cash-generating assets (continued)

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

Reversal of impairment loss

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets where its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.13 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Accounting policies

1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Accounting policies

1.15 Revenue from exchange transactions (continued)

Interest and dividends

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Prepaid electricity estimation

The electricity is made available to the vendor and the vendor only pays over to the municipality once the electricity is sold, resulting in no electricity on hand at year end.

It is not possible to provide any statistics regarding the electricity smart meters as a process of installing the CIU(Communication device) takes a long time. After the installation of the communication device as well as the corleting of the consumer account, it will be possible to measure eletricity on hand at year end.

1.16 Revenue from non-exchange transactions

Measurement

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Rates, including collection charges and penalties interest

Property rates are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria of an asset.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Government grants

Government grants are recognised to the extent that the asset can be recognised less any liability for conditions imposed in terms of the grant.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.16 Revenue from non-exchange transactions (continued)

Other grants and donations

Where there is conditions attached to the grant, transfer or donation that gives rise to a liability at initial recognition, that liability is transferred to revenue as and when conditions attached to the grant are met.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Gifts and donations, including goods in kind

Gifts and donations, including goods in kind are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in kind

Services in kind are recognised where they are significant to the municipality's operations or service delivery objectives.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of the assets.

1.19 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account.

The calculation for self-insurance contribution for the year is computed by the insurance underwriters based on the computed amount at each year end. A transfer from the accumulated surplus is made towards the self-insurance reserve and is cash backed.

1.20 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.21 Unauthorised expenditure (continued)

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Accepted Accounting Practices (GRAP)

1.25 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget. The budget information is based on the same period as the actual amount.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.26 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date): and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---------------------------------------|----------------------------|--------------------------|
| 2. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 15 350 | 16 300 |
| Bank balances | 3 391 402 | 30 021 964 |
| Call accounts | 63 433 203 | 95 890 615 |
| Bank overdraft | <u>(87 630 391)</u> | <u>(48 666 507)</u> |
| | <u>(20 790 436)</u> | <u>77 262 372</u> |
| Current assets | 66 839 955 | 125 928 879 |
| Current liabilities | <u>(87 630 391)</u> | <u>(48 666 507)</u> |
| | <u>(20 790 436)</u> | <u>77 262 372</u> |

The primary banking institution is Standard bank, the following secondary banking institutions are also applicable

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | Cash book balances | |
|---|-------------------------|---------------|---------------------|---------------------|
| | 30 June 2017 | 30 June 2016 | 30 June 2017 | 30 June 2016 |
| ABSA bank - current account - 530-000-087 | 3 987 887 | 8 245 141 | 1 790 044 | 7 600 342 |
| ABSA bank - salary account - 405-774-9059 | 127 008 | 739 298 | 127 008 | (23 066) |
| First National Bank - traffic fines - 620-723-53396 | 944 275 | 930 523 | 944 275 | 930 523 |
| ABSA bank - traffic fines - 407-683-0782 | 10 000 | 10 000 | 10 000 | 10 000 |
| Standard bank - current account - 420-502-084 | (81 513 063) | 30 283 823 | (86 817 095) | 13 007 739 |
| Nedbank - current account - 101-065-4888 | 201 725 | 203 424 | 201 725 | 203 424 |
| Standard bank - current account - 021-879-370 | (119 196) | 4 502 392 | (813 256) | 4 502 392 |
| Standard bank - current account - 080-488-129 | 318 349 | 3 790 611 | 318 349 | 3 790 611 |
| First National Bank - current account - 624-919-68205 | - | (48 666 467) | - | (48 666 467) |
| Total | (76 043 015) | 38 745 | (84 238 950) | (18 644 502) |

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

2. Cash and cash equivalents (continued)

Call accounts

| Invested with | 01 July 2016 | Invested | Interest capitalised | Withdrawn | Total |
|-----------------------------|-------------------|-------------------|----------------------|---------------------|-------------------|
| ABSA-9208236189 | 491 648 | - | 22 486 | - | 514 134 |
| ABSA-9286830535 | 16 001 151 | - | 688 638 | (16 537 227) | 152 562 |
| ABSA-9289903783 | 16 742 541 | - | 684 959 | (17 000 205) | 427 295 |
| ABSA- 9297192700 | 9 878 321 | - | 450 156 | (10 050 871) | 277 606 |
| ABSA-4087082936 | 1 093 880 | - | 2 762 | (1 096 642) | - |
| STD Bank-028606817#54#58#66 | 14 635 179 | - | 1 177 691 | - | 15 812 870 |
| STD Bank-028606817#60#62 | 1 434 652 | - | - | - | 1 434 652 |
| STD Bank-028606817#60#68 | 256 807 | - | 18 154 | - | 274 961 |
| Nedbank-03/7881044284#015 | 930 484 | - | - | - | 930 484 |
| Nedbank-03/7881044284/0025 | 3 950 580 | - | - | - | 3 950 580 |
| Nedbank-03/7881044284/0036 | 3 357 429 | - | 231 985 | - | 3 589 414 |
| Investec - 1400192509500 | 11 107 178 | 50 024 032 | - | (25 062 590) | 36 068 620 |
| FNB - 62601766613 | 16 010 747 | - | 246 388 | (16 257 135) | - |
| | 95 890 597 | 50 024 032 | 3 523 219 | (86 004 670) | 63 433 178 |

Unlimited cession dated 25/07/2008 of a Absa call account no 9208236189, Held to partly secure (76%) of a R587 094 financial guarantee facility.

During the financial year the municipality obtained an overdraft facility of R150 000 000 from Standard Bank, as per the terms of condition of the facility, R50 million is repayable on 30 November 2016, another R50 million on 31 March 2017 and the balance repayable on 30 June 2017. The aforesaid conditions on the overdraft agreement were revised to settle the whole amount by the end of June 2017 due to cashflow constraints. As at the end of the financial year an amount of R 87million remained unsettled. No securities were pledged for the overdraft.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|------------------------|------------------------|
| 3. Trade and other receivables from exchange transactions | | |
| Gross balances | | |
| Electricity | 464 519 075 | 401 920 433 |
| Water | 2 770 776 617 | 2 575 220 325 |
| Sewerage | 803 356 154 | 813 317 951 |
| Refuse | 496 251 103 | 510 242 018 |
| | 4 534 902 949 | 4 300 700 727 |
| Less: Allowance for impairment | | |
| Electricity | (378 873 378) | (362 757 941) |
| Water | (2 620 604 643) | (2 439 486 421) |
| Sewerage | (754 430 242) | (768 923 649) |
| Refuse | (470 569 660) | (487 781 415) |
| | (4 224 477 923) | (4 058 949 426) |
| Net balance | | |
| Electricity | 85 645 697 | 39 162 492 |
| Water | 150 171 974 | 135 733 904 |
| Sewerage | 48 925 912 | 44 394 302 |
| Refuse | 25 681 443 | 22 460 603 |
| | 310 425 026 | 241 751 301 |
| Included in above is receivables from exchange transactions | | |
| Current (0-30 days) | 250 627 352 | 220 714 427 |
| 31 - 60 days | 121 282 077 | 109 000 567 |
| 61 - 90 days | 114 635 646 | 91 731 945 |
| 91 days + | 4 048 357 874 | 3 879 253 789 |
| | 4 534 902 949 | 4 300 700 728 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (4 058 949 426) | (3 418 999 532) |
| Contributions to allowance | (861 348 158) | (563 892 215) |
| Contribution - VAT portion | (116 415 294) | (76 097 779) |
| Debt impairment written off against allowance | 812 234 955 | 40 100 |
| | (4 224 477 923) | (4 058 949 426) |
| Credit quality of consumer debtors | | |
| Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation. | | |
| All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days, according to the following criteria: | | |
| Bad debt | | |
| Government accounts : 0% of the total outstanding amount | | |
| Sundry accounts: 100% between 91 days and more | | |
| Business/industrial: 100% between 91 days and more | | |
| Residential: average ratio between 91 days and more | | |
| Indigent accounts: 100% of outstanding amount | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|------------------------|------------------------|
| 3. Trade and other receivables from exchange transactions (continued) | | |
| All other accounts: | | |
| - Outstanding amounts between 181 days and more | | |
| - Balance of amounts not collected under collectable and doubtful debt. | | |
| 4. Trade and other receivables from non-exchange transactions | | |
| Property rates | 621 910 200 | 576 906 834 |
| Impairment property rates | (533 022 139) | (495 392 509) |
| Other debtors | 482 551 997 | 632 191 558 |
| Impairment other debtors | (345 753 572) | (479 435 566) |
| Other receivables- fines | 244 244 464 | 156 069 230 |
| Impairment fines | (234 518 286) | (147 305 943) |
| Grant debtors | - | 8 482 450 |
| Impairment grant debtor | - | (8 482 450) |
| | 235 412 664 | 243 033 604 |
| Reconciliation for allowance for impairment | | |
| Opening balance | (1 130 616 468) | (1 083 514 097) |
| Contribution to allowance | (280 052 840) | (162 795 726) |
| Contribution - VAT portion | (3 201 876) | (214 772) |
| Amounts written off as uncollectible | 300 577 185 | 115 908 127 |
| | (1 113 293 999) | (1 130 616 468) |
| Age analysis: property rates | | |
| Current (0-30 days) | 44 759 404 | 40 302 014 |
| 31-60 days | 17 998 645 | 16 144 594 |
| 61-90 days | 14 852 032 | 13 210 924 |
| 91 days + | 544 300 120 | 507 249 302 |
| | 621 910 201 | 576 906 834 |
| Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation. | | |
| Interest at a rate of prime plus 2% is levied on arrear debtors accounts. | | |
| All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days. | | |
| 5. Inventories | | |
| Consumable stores | 28 013 649 | 28 183 630 |
| Water | 848 903 | 607 915 |
| Ash Dump | 30 000 000 | 30 000 000 |
| | 58 862 552 | 58 791 545 |
| 6. Value added tax receivable | | |
| VAT | 175 291 517 | 107 098 234 |
| Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS. | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment

| | 2017 | | | 2016 | | |
|--------------------------|-----------------------|---|----------------------|-----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Building property | 657 888 494 | (265 598 737) | 392 289 757 | 546 790 477 | (237 254 578) | 309 535 899 |
| Community assets | 754 837 884 | (151 377 579) | 603 460 305 | 726 002 857 | (126 715 686) | 599 287 171 |
| Infrastructure | 11 921 270 668 | (3 821 341 365) | 8 099 929 303 | 11 807 765 766 | (3 412 338 627) | 8 395 427 139 |
| Other assets | 345 913 472 | (243 186 619) | 102 726 853 | 309 396 199 | (225 446 063) | 83 950 136 |
| Capital work in progress | 590 646 434 | - | 590 646 434 | 504 727 849 | - | 504 727 849 |
| Total | 14 270 556 952 | (4 481 504 300) | 9 789 052 652 | 13 894 683 148 | (4 001 754 954) | 9 892 928 194 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Fair value adjustment | Disposals / Derecognition | AUC Transfers | Donated assets | Transfer | Depreciation | Impairment | Total |
|--------------------------|----------------------|--------------------|-----------------------|---------------------------|---------------|-------------------|--------------------|----------------------|---------------------|----------------------|
| Building property | 309 535 899 | - | 50 926 | (5 050 000) | - | - | 116 097 092 | (28 344 160) | - | 392 289 757 |
| Community assets | 599 287 171 | 520 957 | - | (88 000) | 28 402 070 | - | - | (18 998 212) | (5 663 681) | 603 460 305 |
| Infrastructure | 8 395 427 139 | 1 502 860 | - | (116 743) | 106 162 826 | 4 741 095 | - | (397 409 808) | (10 378 066) | 8 099 929 303 |
| Other assets | 83 950 136 | 35 742 657 | 1 664 564 | (2 914 585) | - | 1 194 528 | - | (16 136 535) | (773 912) | 102 726 853 |
| Capital work in progress | 504 727 849 | 214 298 357 | - | - | (134 564 896) | 6 185 124 | - | - | - | 590 646 434 |
| | 9 892 928 194 | 252 064 831 | 1 715 490 | (8 169 328) | - | 12 120 747 | 116 097 092 | (460 888 715) | (16 815 659) | 9 789 052 652 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Fair value adjustment | Disposals / Derecognition | AUC Transfers | Donated assets | Transfer | Depreciation | Impairmen t | Total |
|--------------------------|-----------------------|--------------------|--------------------------|------------------------------|---------------|-------------------|-----------------|----------------------|------------------|----------------------|
| Building property | 337 420 295 | - | - | - | 431 000 | - | - | (28 315 396) | - | 309 535 899 |
| Community assets | 611 143 414 | - | - | - | 5 072 308 | - | - | (16 928 551) | - | 599 287 171 |
| Infrastructure | 8 608 342 451 | 45 679 155 | - | (471 621) | 73 559 298 | 55 884 126 | - | (387 566 270) | - | 8 395 427 139 |
| Other assets | 89 296 763 | 6 528 080 | 862 923 | (2 348 426) | - | - | (12 977) | (10 147 138) | (229 089) | 83 950 136 |
| Capital work in progress | 397 045 946 | 186 744 509 | - | - | (79 062 606) | - | - | - | - | 504 727 849 |
| | 10 043 248 869 | 238 951 744 | 862 923 | (2 820 047) | - | 55 884 126 | (12 977) | (442 957 355) | (229 089) | 9 892 928 194 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

7. Property, plant and equipment (continued)

Change in estimates, RUL and RV

During the annual review meetings, the RUL, EUL and RV definitions and GRAP requirements were explained to the ELM technical department. Emfuleni Local Municipality technical departments reviewed the EULs, RULs and RVs on existing assets as at 2016. During the review it was decided that certain component's remaining useful life should be changed. The financial implication is that the annual depreciation will decrease by R12 860 397 in the 2016/17 financial year.

De-recognition

During the financial year certain assets were transferred amounting to R65 138 000. Included in this amount is building property assets amounting to R88 000. The derecognitions were included in the 2016/17 asset register.

Provision adjustment

The provision for environmental rehabilitation was restated after a prior year error correcting the value of the underlying assets relating to the provision amounted to R76 563 369 as at 30 June 2017.

Fair value adjustment

Newly identified movable assets to the value of R1 474 037 were added to the fixed asset register after being fair valued.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|-------------------------------|--|----------------|
| 8. Investment property | | |
| | 2017 | 2016 |
| | Valuation Accumulated depreciation | Carrying value |

| | | | | |
|---------------------|---------------|-----------------|---------------|-----------------|
| Investment property | 1 422 643 946 | - 1 422 643 946 | 1 405 108 547 | - 1 405 108 547 |
|---------------------|---------------|-----------------|---------------|-----------------|

Reconciliation of investment property - 2017

| | Opening balance | Disposals / Derecognition | Transfers received | Fair value adjustments | Total |
|---------------------|--------------------|------------------------------|-----------------------|---------------------------|---------------|
| Investment property | 1 405 108 547 | (5 602 371) | (116 097 092) | 139 234 862 | 1 422 643 946 |

Reconciliation of investment property - 2016

| | Opening balance | Disposals / Derecognition | Donated assets | Fair value adjustments | Total |
|---------------------|--------------------|------------------------------|-------------------|---------------------------|---------------|
| Investment property | 1 377 777 979 | (4 536 412) | 42 960 | 31 824 020 | 1 405 108 547 |

Details of valuation

Fair value adjustments - Investment property

Investment property is measured using the fair value model.

The values as determined during the 2015/16 served as a basis and were adjusted to the latest updated valuation roll implemented during the 2016/17 financial year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

9. Intangible assets

| | 2017 | | | 2016 | | |
|-------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 32 235 343 | (28 246 530) | 3 988 813 | 30 923 752 | (26 723 819) | 4 199 933 |
| Servitudes | 13 849 516 | - | 13 849 516 | 13 849 516 | - | 13 849 516 |
| Total | 46 084 859 | (28 246 530) | 17 838 329 | 44 773 268 | (26 723 819) | 18 049 449 |

Reconciliation of intangible assets - 2017

| | Opening balance | Additions | Amortisation | Total |
|-------------------|-------------------|------------------|--------------------|-------------------|
| Computer software | 4 199 933 | 1 311 591 | (1 522 711) | 3 988 813 |
| Servitudes | 13 849 516 | - | - | 13 849 516 |
| | 18 049 449 | 1 311 591 | (1 522 711) | 17 838 329 |

Reconciliation of intangible assets - 2016

| | Opening balance | Additions | Transfers | Amortisation | Total |
|-------------------|-------------------|----------------|---------------|--------------------|-------------------|
| Computer software | 5 691 752 | 226 514 | 12 978 | (1 731 311) | 4 199 933 |
| Servitudes | 13 849 516 | - | - | - | 13 849 516 |
| | 19 541 268 | 226 514 | 12 978 | (1 731 311) | 18 049 449 |

10. Heritage assets

| | 2017 | 2016 |
|--|------|------|
| | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | | 2017 R | 2016 R |
|--|------------------|-------------------------------|----------------|
| 10. Heritage assets (continued) | | | |
| | Cost / Valuation | Accumulated impairment losses | Carrying value |

| | | | | | | |
|-----------------|--------|---|--------|--------|---|--------|
| Heritage assets | 90 316 | - | 90 316 | 90 316 | - | 90 316 |
|-----------------|--------|---|--------|--------|---|--------|

Reconciliation of heritage assets 2017

| | Opening balance | Total |
|-----------------|-----------------|--------|
| Heritage assets | 90 316 | 90 316 |

Reconciliation of heritage assets 2016

| | Opening balance | Total |
|-----------------|-----------------|--------|
| Heritage assets | 90 316 | 90 316 |

Age and/or condition of heritage assets

Assets previously recognised as heritage assets were assessed for significance aligned with Section 3 (3) of the National Heritage Resources Act. The chief criteria for classifying an asset as heritage asset are:

- Social and cultural significance
- Historical significance
- Archaeological significance
- Architectural significance
- Aesthetic significance
- Scientific and technological significance
- Group and relationship significance
- Landmark significance

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|----------------------|----------------------|
| 11. Trade and other payables from exchange transactions | | |
| Trade payables | 1 491 259 006 | 958 013 349 |
| Payments received in advance | 196 594 347 | 164 669 924 |
| Retention | 38 890 479 | 35 543 364 |
| Accrued interest | 456 214 | 594 444 |
| Accrual for annual leave | 64 364 551 | 60 169 818 |
| Accrual for 13th cheque | 24 530 331 | 23 823 509 |
| Year-end salary creditors | 245 155 537 | 120 631 803 |
| Unclaimed wages | 1 366 564 | 1 426 117 |
| Other payables | 7 165 153 | 3 205 517 |
| Unrealised income | - | 42 641 326 |
| Imputed interest on creditors | (4 319 385) | (6 007 534) |
| | 2 065 462 797 | 1 404 711 637 |
| 12. Consumer deposits | | |
| Electricity and water | 46 953 563 | 44 884 636 |
| The amounts reflected represent a cost value. Management believes that the cost value approximates the fair value. Bank guarantees to the value of R14 865 613 form part of the amount disclosed as R46 953 563. | | |
| 13. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Social development grant | 6 911 235 | - |
| EPWP grant | 20 363 | - |
| Bontle ke botho | 582 266 | 771 160 |
| Neighbourhood development grant | 1 084 345 | 500 |
| National electrification grant | 787 745 | - |
| Library grant | 6 036 035 | 1 784 560 |
| Department of water affairs grant | - | 930 484 |
| Projects funded ex Sedibeng district municipality | 1 160 599 | 2 704 127 |
| Sedibeng maintenance grant | 293 197 | 385 092 |
| Financial management grant | - | (50) |
| Cogta Grant (Pumpstation) | 2 551 363 | - |
| Cogta grant | 893 724 | 1 264 933 |
| | 20 320 872 | 7 840 806 |

Refer to note 22 for detailed movements on grants

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|--------------------------|-------------------|
| 14. Borrowings | | |
| At amortised cost | | |
| Borrowings | <u>11 488 176</u> | <u>15 893 904</u> |
| Non-current liabilities | | |
| At amortised cost | <u>8 768 347</u> | <u>11 488 176</u> |
| Current liabilities | | |
| At amortised cost | <u>2 719 829</u> | <u>4 405 728</u> |
| 15. Finance lease | | |
| Minimum lease payments due | | |
| - within one year | 6 849 736 | - |
| - in second to fifth year inclusive | <u>10 670 337</u> | - |
| Present value of minimum lease payments | <u>17 520 073</u> | <u>-</u> |
| within one year | 6 849 736 | - |
| in second to fifth year | <u>10 670 337</u> | - |
| | <u>17 520 073</u> | <u>-</u> |

The average lease term is 3 years and the average effective borrowing rate or escalation was 10.5% interest rates are fixed at a contract date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements.

The municipality's obligation under finance leases are secured by the leases charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the leases. No terms and conditions of finance leases were re-negotiated. There is no restriction imposed on the lease agreements

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|--------------------|--|
| 16. Provision | | |
| Reconciliation of provision - 2017 | | |
| | | |
| | Opening balance | Additions |
| | | Increase due to re- measurement or settlement without cost to entity |
| Environmental rehabilitation | 135 119 545 | - |
| Legal proceedings | 9 439 218 | 5 830 734 |
| | 144 558 763 | 18 415 040 |
| | | 153 534 585 |
| | | 15 269 952 |
| | | 168 804 537 |
| Reconciliation of provision - 2016 | | |
| | | |
| | Opening Balance | Reversed during the year |
| | | Increase/(decr ease) due to re- measurement or settlement without cost to entity |
| Environmental rehabilitation | 176 047 579 | - |
| Legal proceedings | 16 725 713 | (7 286 495) |
| | 192 773 292 | (7 286 495) |
| | | (40 928 034) |
| | | 135 119 545 |
| | | 9 439 218 |
| | | 144 558 763 |
| Non-current liabilities | | 153 534 585 |
| Current liabilities | | 15 269 952 |
| | | 168 804 537 |
| | | 144 558 763 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

16. Provision (continued)

Environmental rehabilitation provision

The financial provision calculated represents the expenditure required for rehabilitation of the cell areas currently used (not the entire site), including areas that have been used but not rehabilitated. The expected rehabilitation costs have been determined and interest added up to the expected date of rehabilitation of the respective landfill cell areas by escalating the current rehabilitation costs over the remaining useful life up to the expected date of rehabilitation of the respective landfill cell areas by using an average increase of 8.22% rate based on the year-to-year increased cost per square meter, and discounting the future rehabilitation costs at the cost of capital rate.

The discount rate of 13.63% utilised to account for the finance cost is based on the weighted average cost of capital rate to the municipality. Using the methodology of the calculation of first escalating the proposed costs, then discounting the costs by the relevant dates allows for a full life cycle analysis as well as appropriate cost value which takes into consideration the time value of money.

Boitshepi

The landfill site was licensed in 2011 as a G:L:B+ landfill site and is situated in the outskirts of the Tshepiso residential area near Vanderbijlpark. The extent of the property is 34,4195Ha and the footprint of the current waste disposal area is 26,843Ha. As no progressive rehabilitation has taken place, the entire site will need to be rehabilitated as part of the final closure. The areas to be closed off as at 30th of June 2017 is 24.37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2017 is R88 525 886 excluding VAT.

Waldrift

The landfill site was licensed in 2011 as a G:L:B- site and is situated in the mining farm areas near Vereeniging. The extent of the property is 31.8842Ha. The proposed waste disposal area is 18.7946Ha and the surface area to be rehabilitated as at 30th of June 2017 is 15.00Ha. Disposal is licensed to be filled to 32m above NGL at closure.

The estimated cost (rehabilitation provision) for the entire site, as at 30th June 2017 is R51 674 687 excluding VAT.

Palm Springs

The landfill site was licensed in 2007 as a G:M:B- landfill site and is situated near Orange Farm. The disposal cells of the site have recently been upgraded to include formal disposal phases, both of which are still operational. The site will grow to include 6 disposal phases over the life of the site.

The extent of the property is 66,6384Ha and the waste disposal area is 25,0597Ha.

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2017 is R13 334 013 excluding VAT.

On this base the provisions at 30 June 2017 can be summarised as follows:

- i) Waldrift landfill site : R 51 674 687
- ii) Boitshepi landfill site : R 88 525 887
- iii) Palm springs landfill site: R 13 334 012

The decrease in the rehabilitation of the landfill sites is due to the following:

The Palm springs landfill site is now classified as a G:M:B- which states that no progressive rehabilitation may be stipulated or required but the license holder is responsible for any environmental damage caused by the site in the long term.

Total provision for rehabilitation as at 30 June 2017 for all three sites at the respective closure dates is estimated at R153 534 585.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---------------------------------|-----------------------------|-----------------------------|
| 17. Service charges | | |
| Sewerage and sanitation charges | 345 528 058 | 301 765 114 |
| Sale of electricity | 1 859 840 769 | 1 854 284 956 |
| Sale of water | 1 246 950 669 | 1 059 101 399 |
| Refuse removal | 213 027 206 | 188 026 727 |
| | <u>3 665 346 702</u> | <u>3 403 178 196</u> |

18. Rental of facilities and equipment

| | | |
|---------------------------------|--------------------------|--------------------------|
| Premises | | |
| Rental of facilities | 12 039 673 | 12 000 908 |
| Facilities and equipment | | |
| Rental of equipment | 3 697 | 4 521 |
| | <u>12 043 370</u> | <u>12 005 429</u> |

The municipality has two loans with DBSA, loan #13554/101 with an interest rate of 15.74% and loan #13959/101 with an interest rate of 10.45%. Both loans are payable on a half yearly basis.

19. Finance income

| | | |
|-------------------------|--------------------------|--------------------------|
| Dividend revenue | | |
| Dividends | - | 3 025 |
| Interest revenue | | |
| Interest on arrears | 47 134 373 | 37 794 845 |
| Bank | 6 015 053 | 6 871 378 |
| | <u>53 149 426</u> | <u>44 666 223</u> |
| | <u>53 149 426</u> | <u>44 669 248</u> |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|-----------------------------------|--------------------|--------------------|
| 20. Other income | | |
| Industrial effluent | 30 018 431 | 52 825 322 |
| Access to information | 179 114 | 227 881 |
| Capital contribution | 4 008 806 | 5 128 689 |
| Dishonoured cheques | 45 427 | 53 160 |
| Refunds (SETA) | 1 645 266 | 1 610 886 |
| Sundries/unallocated income | 11 994 759 | 9 090 098 |
| Surplus cash | 2 145 | 5 885 |
| Warning services | 1 056 527 | 1 609 279 |
| Advertising | 625 684 | 666 468 |
| Informal trading revenue | 112 680 | 139 380 |
| Alienation of stand | 157 723 | 54 386 |
| Deed searches | 938 | 24 817 |
| Reconnection fees | 5 587 736 | 3 866 516 |
| Planning fees | 98 057 | 117 048 |
| Sale of tender documents | 1 561 350 | 835 250 |
| Zoning certificates | 469 563 | 390 111 |
| Activity room/auditorium | 52 236 | 24 485 |
| Building plans | 1 895 148 | 1 825 298 |
| Cemeteries | 10 030 185 | 11 058 197 |
| Entrance fees | 1 154 126 | 1 098 527 |
| General service fees | 6 507 219 | 6 421 593 |
| Fire rescue services | 177 609 | 214 148 |
| Flammable liquid | 188 722 | 143 033 |
| Refuse dumping landfill site | 16 257 794 | 10 641 652 |
| Lost and damaged library material | 939 | 688 |
| Sale of right to collect | 42 641 326 | 29 239 766 |
| | 136 469 510 | 137 312 563 |

21. Property rates

Rates

| | | |
|--------------|-------------|-------------|
| Rates levied | 660 532 525 | 598 394 248 |
|--------------|-------------|-------------|

The valuations are utilised to levy property rates on a monthly basis.

Rebates on property rates levied can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.

Valuations

| | | |
|------------------------|-----------------------|-----------------------|
| Residential | 58 788 074 355 | 58 540 794 471 |
| Business | 9 013 047 750 | 8 807 204 750 |
| Industrial | 4 931 311 000 | 4 884 855 000 |
| State owned properties | 1 865 043 000 | 1 865 916 000 |
| Municipal | 964 140 000 | 964 935 000 |
| Agricultural | 1 193 190 002 | 1 191 000 000 |
| Other | 1 155 347 056 | 1 136 759 051 |
| | 77 910 153 163 | 77 391 464 272 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|--------------------------|--------------------------|
| 22. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 608 581 000 | 600 888 307 |
| Financial management grant | 1 474 950 | 1 450 050 |
| Cogta grant | 3 755 209 | 7 260 067 |
| Municipal systems improvement grant | - | 930 000 |
| Social development grant | 16 661 996 | 41 676 824 |
| Expanded public works programme grant | 2 507 637 | 3 583 200 |
| Cogta Grant (Pumpstation) | 11 448 637 | - |
| Bontle ke botho | 188 893 | 1 431 395 |
| Project Funded ex Sedibeng District | 1 543 529 | - |
| Health and environmental subsidies | 43 215 740 | 47 736 336 |
| Neighbourhood development grant | 8 051 155 | - |
| Debtors book restructuring grant | - | 219 952 |
| Sedibeng maintenance grant | 91 896 | 433 360 |
| Department of water affairs | 930 484 | - |
| Regional sewer scheme | - | 1 134 668 |
| Sport and recreation | - | 560 132 |
| Infrastructure asset management grant | - | 1 000 000 |
| Gauteng department of economic development(LED) | - | 1 500 000 |
| | <hr/> <u>698 451 126</u> | <hr/> <u>708 304 291</u> |
| Capital grants | | |
| Municipal infrastructure grant | 160 763 000 | 163 009 000 |
| National electrification programme | 2 097 255 | - |
| Library grant | 8 048 526 | 8 482 559 |
| Sedibeng regional sewer scheme | - | 3 607 639 |
| Municipal systems improvement grant(Sedibeng) | - | 50 000 |
| | <hr/> <u>170 908 781</u> | <hr/> <u>175 149 198</u> |
| | <hr/> <u>869 359 907</u> | <hr/> <u>884 953 489</u> |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Financial management grant

| | | |
|---|--------------------|--------------------|
| Balance unspent at beginning of year | (50) | - |
| Current-year receipts | 1 475 000 | 1 450 000 |
| Conditions met - transferred to revenue | <u>(1 474 950)</u> | <u>(1 450 050)</u> |
| | <hr/> <u>-</u> | <hr/> <u>(50)</u> |

Conditions still to be met - remain liabilities (see note 13).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

Municipal systems improvement grant

| | | |
|---|----------------|------------------|
| Current-year receipts | - | 930 000 |
| Conditions met - transferred to revenue | <u>-</u> | <u>(930 000)</u> |
| | <hr/> <u>-</u> | <hr/> <u>-</u> |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|-------------------------|-----------------------|
| 22. Government grants and subsidies (continued) | | |
| To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers. | | |
| Social development grant | | |
| Balance unspent at beginning of year | - | 11 276 824 |
| Current-year receipts | 23 573 231 | 30 400 000 |
| Conditions met - transferred to revenue | <u>(16 661 996)</u> | <u>(41 676 824)</u> |
| | <u>6 911 235</u> | <u>-</u> |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The purpose of the grant is for the construction of 20 Priority township project (Early Childhood Development Centres). | | |
| Expanded public works programme | | |
| Balance unspent at beginning of year | - | 30 200 |
| Current-year receipts | 2 528 000 | 3 553 000 |
| Conditions met - transferred to revenue | <u>(2 507 637)</u> | <u>(3 583 200)</u> |
| | <u>20 363</u> | <u>-</u> |
| Conditions still to be met - remain liabilities (see note 13). | | |
| To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised. | | |
| Bontle ke botho | | |
| Balance unspent at beginning of year | 771 160 | 2 202 554 |
| Conditions met - transferred to revenue | <u>(188 894)</u> | <u>(1 431 394)</u> |
| | <u>582 266</u> | <u>771 160</u> |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality. | | |
| Health and environment subsidies | | |
| Current-year receipts | 43 215 740 | 47 736 336 |
| Conditions met - transferred to revenue | <u>(43 215 740)</u> | <u>(47 736 336)</u> |
| | <u>-</u> | <u>-</u> |
| Conditions still to be met - remain liabilities (see note 13). | | |
| Neighbourhood development grant | | |
| Balance unspent at beginning of year | 500 | 4 431 807 |
| Current-year receipts | 9 135 000 | - |
| Conditions met - transferred to revenue | <u>(8 051 155)</u> | <u>-</u> |
| Withheld by Treasury during the year | <u>-</u> | <u>(4 431 307)</u> |
| | <u>1 084 345</u> | <u>500</u> |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|---------------|---------------|
| 22. Government grants and subsidies (continued) | | |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The purpose of the grant is to support and facilitate the development of urban network plans that consist of primary and secondary networks that interconnect at strategic nodes, which in townships are referred to as urban hubs. The amount of R4 431 307 was offset against the equitable share in November 2015.. | | |
| Infrastructure asset management grant | | |
| Current-year receipts | - | 1 000 000 |
| Conditions met - transferred to revenue | - | (1 000 000) |
| | <hr/> | <hr/> |
| | - | - |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The purpose of the grant is to support identified municipalities to update and maintain the infrastructure (Service delivery, asset registers in compliance with GRAP 17). | | |
| Municipal Infrastructure grant | | |
| Current-year receipts | 160 763 000 | 163 009 000 |
| Conditions met - transferred to revenue | (160 763 000) | (163 009 000) |
| | <hr/> | <hr/> |
| | - | - |
| Conditions still to be met - remain liabilities (see note 13). | | |
| This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor | | |
| National electrification programme | | |
| Current-year receipts | 2 885 000 | - |
| Conditions met - transferred to revenue | (2 097 255) | - |
| | <hr/> | <hr/> |
| | 787 745 | - |
| Conditions still to be met - remain liabilities (see note 13). | | |
| To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply. | | |
| Library grant | | |
| Balance unspent at beginning of year | 1 784 560 | 1 042 120 |
| Current-year receipts | 12 300 000 | 9 225 000 |
| Conditions met - transferred to revenue | (8 048 525) | (8 482 560) |
| | <hr/> | <hr/> |
| | 6 036 035 | 1 784 560 |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities. | | |
| Sedibeng regional sewer scheme | | |
| Current-year receipts | - | 3 607 639 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-------------|
| 22. Government grants and subsidies (continued) | | |
| Conditions met - transferred to revenue | - | (3 607 639) |
| | - | - |

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Department of water affairs and forestry

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 930 484 | 930 484 |
| Conditions met - transferred to revenue | (930 484) | - |
| | - | 930 484 |

Conditions still to be met - remain liabilities (see note 13).

This grant is used for water demands management.

Electricity demand site management grant

| | | |
|-----------------------|---|-------------|
| Current-year receipts | - | 1 517 299 |
| Withheld by Treasury | - | (1 517 299) |
| | - | - |

Conditions still to be met - remain liabilities (see note 13).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Regional sewer scheme

| | | |
|---|---|-------------|
| Balance unspent at beginning of year | - | 1 134 668 |
| Conditions met - transferred to revenue | - | (1 134 668) |
| | - | - |

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Projects funded ex Sedibeng district municipality

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 2 704 127 | 2 704 127 |
| Conditions met - transferred to revenue | (1 543 528) | - |
| | 1 160 599 | 2 704 127 |

Conditions still to be met - remain liabilities (see note 13).

Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.

Municipal systems improvement grant (Sedibeng)

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|----------------|----------------|
| 22. Government grants and subsidies (continued) | | |
| Balance unspent at beginning of year | - | 50 000 |
| Conditions met - transferred to revenue | - | (50 000) |
| | <hr/> | <hr/> |
| Conditions still to be met - remain liabilities (see note 13). | - | - |
| Funds meant to fund an LED project. No funds have been withheld by the grantor. | | |
| Debtors book restructuring grant | | |
| Balance unspent at beginning of year | - | 219 953 |
| Conditions met - transferred to revenue | - | (219 953) |
| | <hr/> | <hr/> |
| Conditions still to be met - remain liabilities (see note 13). | - | - |
| To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (municipal debtors book project) and structuring of the debtors book and preparatory work. | | |
| Sports and recreation grant | | |
| Balance unspent at beginning of year | - | 560 132 |
| Conditions met - transferred to revenue | - | (560 132) |
| | <hr/> | <hr/> |
| Conditions still to be met - remain liabilities (see note 13). | - | - |
| Sedibeng maintenance grant | | |
| Balance unspent at beginning of year | 385 092 | 818 452 |
| Conditions met - transferred to revenue | (91 895) | (433 360) |
| | <hr/> | <hr/> |
| | 293 197 | 385 092 |
| Conditions still to be met - remain liabilities (see note 13). | - | - |
| The purpose of this grant is the maintenance of farming equipment and implements donated by GDARD to Sedibeng Municipality as part of GDARD's mechanisation programme. | | |
| LED grant | | |
| Current-year receipts | - | 1 500 000 |
| Conditions met - transferred to revenue | - | (1 500 000) |
| | <hr/> | <hr/> |
| Conditions still to be met - remain liabilities (see note 13). | - | - |
| The purpose is to lead, facilitate and manage sustainable job creation and inclusive economic growth and development in the Gauteng city region. | | |
| COGTA Grant(Pumpstation) | | |
| Current-year receipts | 14 000 000 | - |
| Conditions met - transferred to revenue | (11 448 637) | - |

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|------------------|-----------|
| 22. Government grants and subsidies (continued) | 2 551 363 | - |

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Cogta grant

| | | |
|---|----------------|------------------|
| Balance unspent at beginning of year | 1 264 933 | - |
| Current-year receipts | 3 384 000 | 8 525 000 |
| Conditions met - transferred to revenue | (3 755 209) | (7 260 067) |
| | 893 724 | 1 264 933 |

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to assist Emfuleni to finance the 90 days service delivery plan.

23. Fines

| | | |
|---------------|--------------------|--------------------|
| Traffic fines | 165 115 436 | 128 265 431 |
| Other fines | 10 719 | 12 725 |
| | 165 126 155 | 128 278 156 |

In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information. The monetary value of fines as disclosed for 2016/17 was calculated from the value of fines issued less the fines withdrawn and, as granting of reductions are within the discretion of the entity issuing fines, these were deducted from the fines issued.

The debtor as disclosed in note 4 was calculated using the above assumption and the existing debtor as 30 June 2017.

Subsequent measurement was done by utilising reliable information from the previous 7 years. The average percentage payment of fines versus fines issued of the previous 7 years, deducting the average percentage of fines paid versus fines issued for the period under review, were utilised to calculate the estimated recoverable fines for the period. The recoverable amount was deducted from the calculated outstanding as at 30 June 2017 resulting in the calculated impairment of fines(R229 763 209)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|----------------------|--------------------|
| 24. Employee related costs | | |
| Basic salaries | 579 152 747 | 527 365 180 |
| 13th cheque | 42 961 064 | 41 577 943 |
| Medical aid - company contributions | 50 895 936 | 44 550 237 |
| Unemployment insurance fund (UIF) | 4 433 850 | 4 161 689 |
| Redemption of leave | 9 600 825 | 8 083 825 |
| Leave pay and 13th cheque contribution | 4 194 733 | 6 360 203 |
| Long service awards and medical aid | 25 707 678 | 3 063 128 |
| Salary disparities | 123 033 364 | 13 725 387 |
| Pension fund contribution | 107 133 024 | 101 323 854 |
| Overtime payments | 76 800 922 | 61 441 458 |
| Acting allowances | 17 565 787 | 15 209 566 |
| Car allowance | 38 029 523 | 37 281 285 |
| Housing benefits and allowances | 7 070 950 | 3 800 161 |
| Other allowance | 19 213 646 | 41 279 604 |
| Group insurance | 34 869 099 | 32 976 663 |
| Skills development and casualty contributions | 15 845 205 | 13 215 062 |
| | 1 156 508 353 | 955 415 245 |

Municipal Manager

| | | |
|---------------------|----------------|------------------|
| Annual Remuneration | 414 608 | 1 799 854 |
| Car Allowance | 30 000 | 356 447 |
| | 444 608 | 2 156 301 |

The position of the Municipal Manager was permanently filled on the 1st of January 2017, however the incumbent resigned on the 31st of March 2017. The position is vacant and the Chief Operations officer is currently appointed to act in the position.

Chief Financial Officer

| | | |
|--|----------|----------------|
| Annual remuneration | - | 579 715 |
| Travel, motor car, accommodation, subsistence and other allowances | - | 54 214 |
| Annual leave | - | 199 973 |
| | - | 833 902 |

The position of CFO was vacant from December 2015 and an incumbent was seconded from Sedibeng District Municipality to the position from 1 February 2016.

Corporate Services (DMM)

| | | |
|--|------------------|------------------|
| Annual remuneration | 1 410 089 | 1 427 625 |
| Travel, motor car, accommodation, subsistence and other allowances | 258 000 | 258 000 |
| | 1 668 089 | 1 685 625 |

Basic Services (DMM)

| | | |
|--|----------|----------|
| Annual remuneration | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | - | - |
| | - | - |

The position of DMM: Basic Services is vacant, and an incumbent was appointed to act in the position.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|------------------|------------------|
| 24. Employee related costs (continued) | | |
| Chief Audit Executive | | |
| Annual remuneration | 1 573 392 | 1 495 418 |
| Travel, motor car, accommodation, subsistence and other allowances | 196 200 | 196 200 |
| | 1 769 592 | 1 691 618 |
| Economic Development and Planning (DMM) | | |
| Annual remuneration | 1 751 592 | 1 652 445 |
| Travel, motor car, accommodation, subsistence and other allowances | 18 000 | 18 000 |
| | 1 769 592 | 1 670 445 |
| Public Safety & Community Development (DMM) | | |
| Annual remuneration | 1 510 501 | 1 503 874 |
| Travel, motor car, accommodation, subsistence and other allowances | 138 000 | 138 000 |
| | 1 648 501 | 1 641 874 |
| Infrastructure Planning and Development (DMM) | | |
| Annual remuneration | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | - | - |
| | - | - |
| The position of DMM: Infrastructure Planning and Development is vacant, and an incumbent was appointed to act in the position. | | |
| Chief Operating Officer | | |
| Annual remuneration | 1 863 507 | 1 918 635 |
| Travel, motor car, accommodation, subsistence and other allowances | 138 000 | 138 000 |
| | 2 001 507 | 2 056 635 |
| Chief Risk Officer | | |
| Annual remuneration | 1 036 068 | 1 002 116 |
| Travel, motor car, accommodation, subsistence and other allowances | 138 000 | 138 000 |
| | 1 174 068 | 1 140 116 |
| Chief Information Officer | | |
| Annual remuneration | 999 256 | 1 095 543 |
| Travel, motor car, accommodation, subsistence and other allowances | 214 500 | 234 000 |
| | 1 213 756 | 1 329 543 |
| Head of Revenue | | |
| The position for Head of Revenue is vacant and an incumbent was appointed to act in the position. | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|----------------------|----------------------|
| 24. Employee related costs (continued) | | |
| Head Strategic Manager: Support | | |
| Annual remuneration | 1 080 648 | 1 012 687 |
| Travel, motor car, accommodation, subsistence and other allowances | 138 000 | 138 000 |
| | 1 218 648 | 1 150 687 |
| Chief Director: Metsi a Lekoa | | |
| Annual remuneration | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | - | - |
| | - | - |
| The position for Chief Director: Metsi a Lekoa is vacant and an incumbent was appointed to act in the position. | | |
| 25. Remuneration of councillors | | |
| Mayoral Committee members | 7 269 060 | 7 441 013 |
| Councillors | 42 072 660 | 39 571 889 |
| | 49 341 720 | 47 012 902 |
| Mayor | | |
| Annual remuneration | 721 704 | 795 680 |
| Travel, motor, accommodation, subsistence and other allowances | 350 758 | 352 422 |
| | 1 072 462 | 1 148 102 |
| Speaker | | |
| Annual remuneration | 600 561 | 627 557 |
| Travel, motor, accommodation, subsistence and other allowances | 292 189 | 287 894 |
| | 892 750 | 915 451 |
| In-kind benefits | | |
| The Office of the Executive Mayor, Speaker and Mayoral committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality. | | |
| The Mayor and Speaker make use of municipal owned vehicles for official duties. | | |
| 26. Finance costs | | |
| Interest: external borrowings and creditors | 42 367 470 | 26 883 708 |
| Interest landfill site rehabilitation | 18 415 041 | 19 244 256 |
| interest post employee benefits: health care | 11 825 000 | 11 481 000 |
| Interest long service awards | 7 805 000 | 6 483 000 |
| | 80 412 511 | 64 091 964 |
| 27. Bulk purchases | | |
| Electricity | 1 502 595 542 | 1 502 075 222 |
| Water | 713 410 578 | 650 297 403 |
| | 2 216 006 120 | 2 152 372 625 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|--------------------|--------------------|
| 28. General expenses | | |
| Advertising | 6 432 426 | 3 634 331 |
| Audit fees | 6 133 958 | 5 803 607 |
| Bank charges | 3 143 253 | 2 753 937 |
| Commission paid | 12 276 499 | 15 117 068 |
| Consulting and professional fees | 51 032 291 | 19 195 121 |
| Consumables | 3 429 752 | 5 589 666 |
| Insurance | 65 657 430 | 50 083 821 |
| Conferences and seminars | 4 309 774 | 2 481 256 |
| Magazines, books and periodicals | 461 396 | 425 028 |
| Medical expenses | 290 495 | 22 912 |
| Rezoning costs | 26 316 | - |
| Relocation cost | - | 20 851 |
| Postage and courier | 6 539 877 | 4 775 655 |
| Printing and stationery | 8 971 772 | 6 256 512 |
| Bursary fund | 1 489 306 | 1 836 798 |
| Royalties and license fees | 2 573 431 | 2 780 329 |
| Security (guarding of municipal property) | 82 735 995 | 55 343 350 |
| Software licensing | 2 123 826 | 1 622 256 |
| Subscriptions and membership fees | 114 113 | 20 713 279 |
| Telephone and fax | 15 987 388 | 12 876 491 |
| Training | 7 426 254 | 4 306 305 |
| Uniforms | 5 289 014 | 6 102 385 |
| Special programmes | 15 391 127 | 39 113 331 |
| Indigent support | 371 562 451 | 405 426 439 |
| Valuation roll expense | 7 352 962 | 53 771 |
| Public expenditure | 1 270 606 | 2 018 899 |
| Lease rentals | 72 584 848 | 65 571 594 |
| Disaster relief | 25 965 | - |
| Other expenses | 223 660 983 | 237 415 410 |
| | 978 293 508 | 971 340 402 |

"Other expenses" consist of various minor expenses.

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|--------------------|--------------------|
| 29. Cash generated from operations | | |
| Deficit for the year | (768 870 050) | (286 213 273) |
| Adjustments for: | | |
| Depreciation and amortisation | 479 227 086 | 444 652 379 |
| Gain on sale of assets | - | (1 869 772) |
| Fair value adjustments | (140 951 550) | (32 685 328) |
| Debt impairment | 1 141 400 998 | 726 687 941 |
| Employee benefit obligation | 924 000 | 2 931 000 |
| Contribution to provisions | 24 245 774 | 8 921 192 |
| Donations | (17 790 144) | (14 751 049) |
| Loss on sale of asset | 4 197 325 | - |
| Non-cash movement in assets | - | (7 231 048) |
| Changes in working capital: | | |
| Inventories | (71 007) | 454 758 |
| Trade and other receivables from exchange transactions | (930 021 883) | (623 490 710) |
| Other receivables from non-exchange transactions | (272 431 898) | (188 099 455) |
| Trade and other payables from exchange transactions | 660 751 160 | 248 906 776 |
| VAT | (68 193 283) | (16 669 872) |
| Unspent conditional grants and receipts | 12 480 066 | (22 685 452) |
| Decrease/Increase in current borrowings | (1 685 899) | 334 422 |
| Finance lease | - | (538 770) |
| Prior year correction | - | (51 405 152) |
| | 123 210 695 | 187 248 587 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|-----------------------|-----------|
| 30. Correction of error | | |
| During the 2016/17 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial periods. The comparative amounts have been restated as follows: | | |
| Balance previously reported 2014/15 | 10 485 784 848 | |
| Adjustments for 2014/15 | (12 202 375) | |
| Restated balance for 2014/15 | 10 473 582 473 | |
| Surplus/(deficit) for the financial year ended 2015/16 | (352 765 015) | |
| Adjustments: 2015/16 | 66 551 744 | |
| Withdrawal | 1 358 373 | |
| | 10 188 727 575 | |

2014/2015

Statement of performance

Revenue from non-exchange transactions

| | |
|----------------------------------|------------------|
| Interest received | (885 762) |
| Donations | (43 351 952) |
| Sundry revenue | (60 682) |
| Expenditure | |
| Contracted services | 99 395 |
| Employee related costs | 77 474 943 |
| Finance costs | (56 273 106) |
| Bulk purchases | (8 135 884) |
| Repairs and maintenance | 7 038 281 |
| (Loss)/gain on sale of assets | (4 763 309) |
| Depreciation | 46 798 957 |
| General expenses | (9 993 676) |
| Fair Value Adjustments | (199 884) |
| Restatement for 2014/2015 | 7 747 321 |

2015/2016

Statement of performance

Revenue from exchange transactions

| | |
|--|---------------------|
| Interest received | (623 211) |
| Revenue from non-exchange transactions | - |
| Donations | (41 176 037) |
| Sundry revenue | (1 038 543) |
| Surplus cash | (4 881) |
| Expenditure | |
| Contracted services | 1 553 994 |
| Depreciation and amortisation | (30 722 201) |
| Employee related costs | 35 039 544 |
| Bulk purchases | (17 052 930) |
| Finance cost | (2 130 574) |
| Repairs and maintenance | 4 562 993 |
| General expenditure | (15 059 044) |
| Fair Value Adjustment | 99 145 |
| | (66 551 745) |

2014/15

Statement of financial position

Current assets

| | |
|--|------------|
| Cash and cash equivalents | 125 254 |
| Trade and other receivables from non-exchanged transaction | 10 097 634 |
| Inventory | 30 000 000 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--------------------------------|--------------------|---------------|
| Value added tax(VAT) | | (978 987) |
| Non-Current assets | | |
| Property, plant and equipment | | 176 983 720 |
| Investment property | | 3 148 584 |
| Work in progress(WIP) | | (213 160 435) |
| Current liabilities | | |
| Trade and other payables | | (14 969 437) |
| Year end salaries | | (66 987 764) |
| Provision for legal fees | | 10 858 390 |
| Non-Current liabilities | | |
| Provisions | 57 135 721 | |
| | <u>(7 747 320)</u> | |

Statement of financial position 2015/2016

Current assets

| | |
|--|-------------------|
| Cash and cash equivalents | 676 132 |
| Cash on hand | 4 881 |
| Trade and other receivables from non-exchange transactions | 19 287 193 |
| Value added tax receivables | (1 853 499) |
| Non-Current assets | |
| Property, plant and equipment | 89 788 202 |
| Investment property | (99 145) |
| Work in progress(WIP) | (26 911 133) |
| Intangible assets | 88 343 |
| Current liabilities | |
| Trade and other payables | (6 078 157) |
| Year end salaries | (21 314 156) |
| Borrowings | (137 423) |
| Provision legal fees | 2 695 465 |
| Non-Current liabilities | - |
| Provisions | 10 267 618 |
| Borrowings | 137 423 |
| | <u>66 551 744</u> |

| Statement of financial position | Balance 2015/2016 | Adjustments 2014/2015 | Adjustments 2015/2016 | Restated balance 2015/2016 |
|--|-----------------------|--------------------------|--------------------------|----------------------------------|
| Cash and cash equivalent | 125 122 613 | 125 254 | 681 013 | 125 928 880 |
| Trade and other receivables from non-exchange transactions | 213 648 777 | 10 097 634 | 19 287 193 | 243 033 604 |
| Inventory | 28 791 545 | 30 000 000 | - | 58 791 545 |
| Value Added Tax receivable | 109 930 720 | (978 987) | (1 853 499) | 107 098 234 |
| Property, plant and equipment | 9 866 227 839 | (36 176 715) | 62 877 070 | 9 892 928 194 |
| Investment property | 1 402 059 108 | 3 148 584 | (99 145) | 1 405 108 547 |
| Intangible assets | 17 961 105 | - | 88 344 | 18 049 449 |
| Trade and other payables | (1 295 362 121) | (81 957 201) | (27 392 314) | (1 404 711 636) |
| Provision legal fees | (22 993 073) | 10 858 390 | 2 695 466 | (9 439 217) |
| Borrowings (Current) | (4 268 305) | - | (137 423) | (4 405 728) |
| Borrowings (Non Current) | (11 625 599) | - | 137 423 | (11 488 176) |
| Provisions | (202 522 883) | 57 135 721 | 10 267 618 | (135 119 544) |
| | <u>10 226 969 726</u> | <u>(7 747 320)</u> | <u>66 551 746</u> | <u>10 285 774 152</u> |

Cash & Cash Equivalents

Various cheques that were not cashed were cancelled.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

Finance lease liability

During the 2014/15 it was discovered that the vehicles for fire and emergency for the contract entered into in 2012/2013 were not capitalised this was corrected in this current financial year.

Inventory

This is to correct the calculation for the water stock on hand in the previous financial year which did not take into account the water research levy.

Investment property

Investment property that was previously held for sale prior years was brought back on to the asset register during this current year

Provisions

Rehabilitation of landfill sites

The environmental rehabilitation provision was restated due to the change in the method of the calculation of the provision to conform to the requirements of GRAP 19. The requirements require that present obligation be calculated by determining the future cost of rehabilitation discounted to the present value using the cost of capital rate of the municipality. In the past an construction cost increase rate of 6% was utilised but this was adjusted to 8,22% in the 2016-2017 financial period based on the increase in the average base cost rehabilitation rate per square meter as determined by an environmental specialist professional engineer. The annual interest rate was also adjusted from the prime lending rate of 10,5% to 13,63% based on the current weighted average interest rate currently applicable to the municipality on its long-term borrowings.

The useful lives of the sites was also amended where the estimation is based on the annual consumption rate of the available airspace.

The previous provisions raised on the Vaaloewer site was also reversed, as it is not foreseen that the municipality will need to obtain a license to classify this site as a landfill site. The site has been transformed into a transfer site and all waste on this site are transported to the three landfill sites currently in operation.

Value added tax

Correction of VAT where various cheques were cancelled..

VAT that were not included in the accruals now corrected.

Property plant and equipment

Projects that were under W.I.P are now capitalised

Certain infrastructure assets that were capitalised in previous years were de-recognised

Trade and other payables

Creditors that were not accrued,now accrued

Accrual for standby allowances awarded by judgement

Trade and other receivables from non exchange transactions

Various Developer created assets accounted for

Various receipts allocated to sundry revenue instead of sundry debtors

Statement of Financial Performance

Interest received

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
| Credit received from supplier. Accounted for in 2016/2017 | | |
| Sundry revenue | | |
| Correction of incorrect accounting for waste removal | | |
| Donations | | |
| Developer created assets accounted for | | |
| Employee related costs | | |
| Salaries awarded back dated (arbitration awards) | | |
| Contracted services | | |
| Various payments to Service Providers accrued | | |
| Loss/Gain on sale of asset | | |
| Certain infrastructure assets that were capitalised in previous years were de-recognised | | |
| Depreciation and amortisation and impairment | | |
| Various projects under W.I.P that should have been capitalised. Additional depreciation for the period. | | |
| Included in the opening balance for the assets under construction was an amount of R 53 631 676 for the construction of a recreational facility which was only partially completed and where construction was halted. In order to assess the asset components a physical verification was undertaken on the site. The identified asset components was fair valued (deemed cost) at R21 575 728 and an impairment loss was recognised as a prior year adjustment amounting to R32 055 948 on the assets under construction. | | |
| Finance costs | | |
| Time value of money - provision for rehabilitation landfill sites | | |
| Various judgements against Emfuleni and the payables included interest | | |
| General expenses | | |
| Various payments that were not cashed were cancelled. Various creditors that were not accrued for, now accrued | | |
| Collection cost | | |
| Reversal of accrual. | | |
| Repair and maintenance | | |
| Maintenance done to electrical networks and sport and recreation facilities | | |
| Bulk purchases | | |
| Credit received from supplier. Accounted for in 2016/2017 | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|--------------------|--------------------|
| 31. Unauthorised, irregular, fruitless and wasteful expenditure | | |
| Unauthorised expenditure | | |
| Opening balance | 192 819 928 | 874 864 383 |
| Unauthorised expenditure | 594 863 922 | 204 548 484 |
| Less: approved/condoned by Council in respect of the previous financial year | - | (874 864 383) |
| Less: approved/condoned by Council in respect of the current financial year | - | (11 728 556) |
| | 787 683 850 | 192 819 928 |
| Details of unauthorised expenditure | | |
| Political office | - | 85 648 |
| Municipal manager's office | - | 11 337 773 |
| Financial services | 257 661 832 | 66 629 972 |
| Corporate services | 217 077 414 | - |
| Basic services | 68 535 981 | 124 596 657 |
| Agriculture, economic development planning and human settlement | 724 088 | 28 543 |
| Public safety and community development | 50 864 607 | 1 869 892 |
| | 594 863 922 | 204 548 485 |
| Irregular | | |
| Opening balance | 148 503 808 | - |
| Irregular-current | 161 088 336 | 127 658 495 |
| Irregular - prior year | - | 20 845 313 |
| Less: approved/condoned by Council | - | - |
| | 309 592 144 | 148 503 808 |
| Fruitless & wasteful expenditure | | |
| Opening balance | 19 796 026 | 5 748 821 |
| Fruitless and wasteful expenditure | 58 243 259 | 14 047 205 |
| Fruitless and wasteful expenditure - prior | 1 639 744 | - |
| | 79 679 029 | 19 796 026 |

During the current financial year interest amounting to R58 243 259 was incurred due to late payment of accounts and R1 639 744 was incurred in the current period but relating to the previous financial year.

32. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

| | | |
|---------------------------------|-------------------|-------------------|
| Opening balance | 12 501 442 | 11 079 345 |
| Current year subscription / fee | 191 375 146 | 149 627 142 |
| Amount paid - current period | (176 587 898) | (137 125 700) |
| Amount paid - previous years | (12 501 442) | (11 079 345) |
| | 14 787 248 | 12 501 442 |

Emfuleni Local Municipality
 Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|----------------|------------|
| 32. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Councillors' arrear consumer accounts | | |
| The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017: | | |
| 30 June 2017 | | Total R |
| Mahomed YJ | | 133 296 |
| Ndlovu MP | | 88 748 |
| Nthebe MM | | 63 602 |
| Nxongo NPG | | 58 117 |
| Molefe HT | | 49 263 |
| Motsei LA | | 39 890 |
| Moshoaluba MM &MJ | | 38 054 |
| Mzongwane SL&LM | | 37 928 |
| Shabalala HH | | 37 817 |
| Msolo NJ | | 34 994 |
| Mkhwanazi OA | | 31 407 |
| Maseko BP | | 20 882 |
| Mashabela MS | | 18 920 |
| Mooi NJ | | 16 255 |
| Tlhokwe TG | | 8 750 |
| Monyembane TT | | 7 907 |
| Von Bodenstein EK | | 7 314 |
| Matsie-Skosana ML | | 3 809 |
| Baloyi IH | | 2 577 |
| Mollo DS | | 1 128 |
| | 700 658 | |
| 30 June 2016 | | Total R |
| Mahomed YJ | | 121 052 |
| Nthebe MM | | 63 602 |
| Poee NS | | 44 688 |
| Mashabela MS | | 37 258 |
| Mzongwane SL & LM | | 32 873 |
| Maseko BP | | 19 958 |
| Mooi NJ | | 16 255 |
| Von Bodenstein EK | | 7 903 |
| Malindi JK | | 4 540 |
| Mofokeng MJ | | 2 050 |
| | 350 179 | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

33. Electricity and water distribution losses

Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses are as follows:

Electricity

| | | |
|------------|-------------|-------------|
| Kilowatts | 319 449 836 | 396 624 431 |
| Amount | 262 364 150 | 304 409 250 |
| Percentage | 17.99% | 20.11% |

Water

| | | |
|------------|-------------|-------------|
| Kiloliters | 28 940 511 | 33 390 840 |
| Amount | 220 549 675 | 227 503 649 |
| Percentage | 30.69% | 34% |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

34. Contingencies

Contingent assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events beyond the control of the municipality.

Contingent liability (civil matters)

| Claim number | Description | Amount |
|--------------|---------------------------------------|-------------|
| 1 | Megazone - claim for damages | 154 000 000 |
| 2 | Vaal show society | 80 000 000 |
| 3 | Old apostolic church | 5 500 651 |
| 4 | Pele Selepe | 5 000 000 |
| 5 | L Mnyandeni - delictual claim | 3 500 000 |
| 6 | Inhlavuka Consult - contractual claim | 3 187 346 |
| 7 | Fleet Africa | 1 823 576 |
| 8 | Maluleke Seriti - legal fees | 1 787 495 |
| 9 | Spies and Nkamane | 1 762 924 |
| 10 | Tsoneva Asphalt | 1 500 812 |
| 11 | M Phale - Defamation claim | 1 000 000 |
| 12 | Nurcha Finance - Contractual Claim | 875 588 |
| 13 | B du Preez - delictual claim | 807 433 |
| 14 | Devinity - Contractual Claim | 724 794 |
| 15 | Radius Industrial - Compensation | 670 750 |
| 16 | NG Kubheka - delictual claim | 651 000 |
| 17 | Sesi Transport | 596 480 |
| 18 | PJ Scheepers - delictual claim | 400 000 |
| 19 | Du Preez | 350 000 |
| 20 | LS Hanyane - delictual claim | 300 000 |
| 21 | Jooste | 300 000 |
| 22 | Management Design | 275 410 |
| 23 | P H Hamman | 137 014 |
| 24 | NJ Bholo | 100 000 |
| 25 | PJ Pienaar | 100 000 |
| 26 | Continental Outdoor Media (Pty) Ltd | 100 000 |
| 27 | J Wilczynski - Delictual Claim | 70 000 |
| 28 | BF Petersen - Delictual Claim | 60 000 |
| 29 | L Mafale - Unlawful Arrest | 50 000 |
| 30 | MJ Motaung | 50 000 |
| 31 | MZ Lesenyeho | 50 000 |
| 32 | MP Skosana - Delictual Claim | 40 000 |
| 33 | D Pather - Delictual Claim | 38 475 |
| 34 | EP Smith | 36 934 |
| 35 | FR Kruger | 33 016 |
| 36 | EZ Mehlala | 28 849 |
| 37 | MJ Makume | 26 991 |
| 38 | M Moeti | 26 991 |
| 39 | J Cilliers | 23 159 |
| 40 | WH Lambrecht | 16 796 |
| 41 | V DuPreez | 14 112 |
| 42 | SJ Botha | 11 906 |
| 43 | HM Bezuidenhout | 9 311 |
| 44 | PJ Kloppers | 9 024 |
| | | 266 046 837 |

Contingent liabilities (insurance)

During the 2016/17 financial year, the Municipality encountered insurance claims amounting to R5 477 725

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

34. Contingencies (continued)

Contingent liability (labour)

There are a number of labour related cases that are still under conciliation, arbitration and review at labour court. Quantum and the outcomes are not yet known.

35. Related parties

Section 56 managers
Councillors

Section 56 managers

Section 56 managers (management) received compensation as set out in note 24.

No remuneration was paid to families of Section 56 managers

Members of council

Members of council received compensation as set out in note 25.

No remuneration was paid to family members of council.

All councillors and employees have disclosed their financial interests.

36. Events after the reporting date

37. Standards and interpretations issued, but only effective for financial years begining on or after 1 April 2018

The following standards were revised and improvements were made to them, but the revisions are only effective for financial years begining on 1 April or thereafter

| | |
|--------------|--|
| GRAP 18 | Recognition and derecognition of land |
| IGRAP 16 | Liabilities to pay levies |
| Directive 12 | The selection of an appropriate reporting framework by public entities |

The municipality expects to adopt the ammendements for the first time in 2018 financial statements. The adoption of these ammendements is not expected to impact on the results of the municipality but may result in more disclosures than is currently provided.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|--------------------|--------------------|
| 38. Employee benefit obligations | | |
| Post retirement benefit plan | | |
| Post-employment health care benefits | | |
| Opening accrued liability | 123 626 000 | 129 840 000 |
| Current-service cost | 828 000 | 896 000 |
| Interest cost | 11 825 000 | 11 481 000 |
| Contributions (benefit paid) | (10 248 119) | (9 697 000) |
| Total annual expense | - | - |
| Actuarial loss/(gain) | (373 881) | (8 894 000) |
| | 125 657 000 | 123 626 000 |

The projected unit credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The valuation was performed by ZAQ Consultants and Actuaries.

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine out discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in an overall decrease in the liability of around R 3,585,000.
2. Changes in membership and other smaller assumptions – There were various changes in the membership data between the two valuations and more members left the data set than assumed. The in-service members decreased 9.6% while the pensioners decreased by 2.7%. The net effect of these and other smaller changes in assumptions and experience was a decrease in the liability of around R 5,300,000.

Key assumptions used

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

'The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Discount rate

The nominal and real zero curves as at 30 June 2017 supplied by the JSE was used to determine the discount rates and CPI assumptions at each relevant time period.

Medical aid inflation

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

38. Employee benefit obligations (continued)

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date, and is summarised below.

Accrued liability

The accrued liability is given below and is split between the current employees and continuation members (pensioners).

Category

| | | |
|-----------------------------------|--------------------------|--------------------------|
| Current (in service) members | 29 077 000 | 29 255 000 |
| Continuation members (Pensioners) | 96 580 000 | 94 371 000 |
| | <hr/> 125 657 000 | <hr/> 123 626 000 |

Key financial assumptions

Withdrawal from service (sample annual rates)

2016/2017

| Age | Female | Male |
|-------|--------|------|
| 20-24 | 24% | 16% |
| 25-29 | 18% | 12% |
| 30-34 | 15% | 10% |
| 35-39 | 10% | 8% |
| 40-44 | 6% | 6% |
| 45-49 | 4% | 4% |
| 50-54 | 2% | 2% |
| 55-59 | 1% | 1% |
| 60+ | 0% | 0% |

2015/2016

| Age | Female | Male |
|-------|--------|------|
| 20-24 | 24% | 16% |
| 25-29 | 18% | 12% |
| 30-34 | 15% | 10% |
| 35-39 | 10% | 8% |
| 40-44 | 6% | 6% |
| 45-49 | 4% | 4% |
| 50-54 | 2% | 2% |
| 55-59 | 1% | 1% |
| 60+ | 0% | 0% |

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

38. Employee benefit obligations (continued)

Membership changes

Changes to current (in-service) membership as at the valuation dates:

| | 30-06-2017 Valuation | 30-06-2016 Valuation | % Change |
|---------------------------------------|-------------------------|-------------------------|----------|
| Number of active employees | 131 | 113 | 15.9% |
| Proportion male | 71% | 69% | 2.8% |
| Subsidy weighted average age | 52.2 | 53.51 | -2.5% |
| Subsidy weighted average past service | 23.84 | 26.65 | -10.5% |
| Average monthly subsidy | R3 520 | R3 340 | 5.4% |

Changes to continuation membership (pensioners' membership) as at the valuation dates:

| | 30-06-2017 Valuation | 30-06-2016 Valuation | % Change |
|------------------------------|-------------------------|-------------------------|----------|
| Number of principal members | 257 | 254 | 1.2% |
| Proportion male | 40% | 41% | -2.1% |
| Subsidy weighted average age | 74.64 | 74.89 | -0.3% |
| Average monthly subsidy | R3 250 | R3 180 | 2.2% |

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Valuation of assets

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet the liability. The municipality therefore did not consider any assets as part of valuation.

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAQ Consultants and Actuaries.

| | | |
|---------------------------|-------------------|-------------------|
| Opening accrued liability | 85 211 000 | 76 066 000 |
| Current service costs | 6 805 000 | 5 787 000 |
| Interest costs | 7 805 000 | 6 483 000 |
| Benefit vestings | (5 850 000) | (4 167 305) |
| Actuarial loss(gain) | (9 867 000) | 1 042 305 |
| | 84 104 000 | 85 211 000 |

The main reasons for the actuarial gain can be attributed to the following factors:

Changes in economic variables

1. Changes in economic variables – In this year's valuation the nominal and real zero curves as at 30 June 2017 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in a decrease in liability of around R 4 000 000.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

38. Employee benefit obligations (continued)

2. Membership data changes – Over the past financial year, there were various membership changes in the data. This, along with some other smaller changes, resulted in an overall decrease in liability of around R 5 867 000.

Financial variables

The following values for these variables were assumed:

Financial variable

| | | |
|-------------------------------|-------|-------|
| Discount rate | 9.13% | 9.02% |
| CPI(Consumer price inflation) | 6.61% | 7.26% |
| Normal salary increase rate | 7.61% | 8.26% |
| net effective discount rate | 1.41% | 0.70% |

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve was used. The nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine the discounted rates and CPI assumptions was used.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) were derived. Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7.36%.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables.

Key demographic assumptions 2017

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

| Age band | Withdrawal rate (males) | Withdrawal rate (Females) |
|----------|----------------------------|------------------------------|
|----------|----------------------------|------------------------------|

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|-----------|-----------|
| 38. Employee benefit obligations (continued) | | |
| 20-24 | 16% | 24% |
| 25-29 | 12% | 18% |
| 30-34 | 10% | 15% |
| 35-39 | 8% | 10% |
| 40-44 | 6% | 5% |
| 45-49 | 4% | 4% |
| 50-54 | 2% | 2% |
| 55-59 | 1% | 1% |
| 60+ | 0% | 0% |

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

| | -0.20% withdrawal rate | Valuation assumption | +0.20% withdrawal rate |
|-------------------------|---------------------------|-------------------------|---------------------------|
| Total accrued liability | 87 904 000 | 84 104 000 | 80 662 000 |
| Current service cost | 6 541 000 | 6 104 000 | 5 718 000 |
| Interest cost | 8 054 000 | 7 687 000 | 7 355 000 |

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in normal salary inflation was tested and the effect is as follows:

| | -1% Normal salary inflation | Valuation assumption | +1% Normal salary inflation |
|--|--------------------------------|---|--|
| Total accrued liability | 78 574 000 | 84 104 000 | 90 239 000 |
| Current service cost | 5 611 000 | 6 104 000 | 6 661 000 |
| Interest cost | 7 160 000 | 7 687 000 | 8 272 000 |
| Changes in the value obligation: | | | |
| Current valuation date | 30-06-2017 | 1 year following the valuation date | 2 years following the valuation date |
| PV of the obligation as at the previous valuation date | 85 211 000 | 84 104 000 | 92 248 000 |
| Current service cost | 6 805 000 | 6 104 000 | 6 416 810 |
| Interest cost | 7 805 000 | 7 687 000 | 8 434 058 |
| | | | 3 years following the valuation date |
| | | | 101 021 868 |
| | | | 6 770 532 |
| | | | 9 229 775 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|--------------------|--------------------|
| 38. Employee benefit obligations (continued) | | |
| Benefits paid | (5 850 000) | (6 077 000) |
| Actuarial loss/ (gain) | (9 867 000) | - |
| | 84 104 000 | 92 248 000 |
| | 101 021 868 | 110 482 175 |

| | Current valuation date 30-06-2017 | 1 year following the valuation date 92 248 000 | 2 years following the valuation date 101 021 868 | 3 years following the valuation date 110 482 176 |
|--|---|---|---|---|
| Liability recognised in statement of financial position | 84 104 000 | 92 248 000 | 101 021 868 | 110 482 176 |
| Current service cost in statement of financial performance | 6 805 000 | 6 104 000 | 6 416 810 | 6 770 532 |
| Interest cost in statement of financial performance | 7 805 000 | 7 687 000 | 8 434 058 | 9 229 775 |
| Actuarial loss/(gain) in OCI | (9 867 000) | - | - | - |

Long service awards:

The awarded leave days were converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Long service awards for levels of past service

Completed years of service

| | Total long service benefit award(% of annual salary | Formula used to calculate long service benefit award (10/250)*annual salary |
|----------------------------|--|--|
| 10 | 4% | (10/250)*annual salary |
| 15 | 8% | (20/250)*annual salary |
| 20 and every 5 years after | 12% | (30/250)*annual salary |

Monetary gifts for levels of past service

| | Rand amount |
|-------------------------------|-------------|
| 20 | 8 110 |
| 25 | 8 110 |
| 30 | 11 363 |
| 35 | 14 126 |
| 40 and every five years after | 19 649 |

Specifics:

- In the month that each "completed service" milestone is reached, the employee is granted long service award;
- Working days awarded are valued at 1/250th of annual salary per day;
- These monetary amounts increase at CPI + 1% each year; and

The amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Retirement gifts per level of service of retirement

| Completed years of service | Rand amount |
|----------------------------|-------------|
| 15 | 1 33 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|---|-----------|-----------|
| 38. Employee benefit obligations (continued) | | |
| 20 | | 3 931 |
| 25 | | 5 682 |
| 30 | | 11 363 |
| 35 and every five years after | | 19 649 |

The above monetary amounts increase at CPI+ 1% each year, and the amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Valuation of assets

At the valuation date the long service leave award liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet this liability. The municipality therefore did not value any assets as part of this valuation

39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the third quarter financial statements.

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

| Description | 69 627 430 | 42 041 412 |
|--------------------|-------------------|-------------------|
| Deviations | | |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

40. Budget differences

Material differences between budget and actual amounts

(a) Finance income

The revenue includes interest on debtors which were high due to the high debtors book.

(b) Trade and other licenses

There were more trade licences purchased than the previous financial year. This is driven by demand.

(c) Actuarial gain

Actuarial gains and losses cannot be determined at the time of budgeting thus the variance.

(d) Depreciation and amortisation

This is due to the increase in assets leading to higher depreciation charges.

(e) Inputted interest

The interest calculated on creditors was less than the previous financial year.

(f) Loss on disposal of assets

This is uncontrollable. Council made a loss on the sale of assets for the year.

(g) General expenses

Indigent support expenditure was exceeded. Assumed indigent support is assumed to be 30kl which increased the subsidy costs and exceeded budget.

(h) Fair value adjustment

This is uncontrollable. The value of assets were assessed at higher value..

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

40. Budget differences (continued)

(i) Cash and cash equivalents

This includes call deposits on grants which were not fully spent at year end. It was anticipated that all will be spent at the time of budgeting.

(j) Other receivables from non-exchange transactions

Receivables are less than budgeted due to the provision for bad / doubtful debts. Please refer to the relevant note for the movement thereof and the movement in the provision for bad debts.

(k) Value added tax receivable

The value added tax receivable / payable is not known at the time of budgeting.

(l) Sanlam shares

Provision was not made for the Sanlam investment in the budgeted Statement of Financial Position.

(m) Trade and other payables from exchange transactions

More expenditure was incurred which was accrued at year-end due to cash flow constraints. The liability was anticipated to be less at the time of budgeting.

(n) Unspent conditional grants and receipts

It was planned that all conditional grants would be spent by the end of the financial year which did not realise.

(o) Borrowings

It was anticipated that the short-term borrowings would decrease from the 2014/2015 financial year after payments are made in the 2015/2016 financial year.

(p) Provisions

Short-term provisions increased. The budget amount is based on the performance as at mid-term.

(q) Bank overdraft

It was anticipated that the bank overdraft would be settled at year-end as required by law.

(r) Consumer deposits

Less consumer deposits were provided for in the budgeted statement of position.

(s) Employee benefit obligations

The budgeted provisions amount includes employee benefit obligations below which when factored in results in a variance of -4% which is not material

(t) Donations

This is due to developer-created assets which were donated to the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

41. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks, credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Credit risk

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large of rate payers, dispersed across different industries and geographical areas. Consumer debtors are presented net of provision impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by levying of penalty charges, demand for payment and as a last resort handed over for collection, whichever procedure is applicable in terms of Council's credit control and debt collection policy.

| | | |
|--|--------------------|--------------------|
| Trade and other receivables from non exchange transactions | 235 412 664 | 243 033 604 |
| Trade and trade receivables from exchange transactions | 310 425 026 | 241 751 301 |
| Short term investment deposits | 63 433 178 | 95 890 597 |
| Cash and cash equivalents | 66 839 955 | 125 928 879 |
| | 676 110 823 | 706 604 381 |

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Management plans to maintain adequate cash flows by alternative means such:

- disposal of assets
- Investigating other revenue enhancement possibilities and
- improving debt collection

to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the period under review the municipality made a loss of R 768,870,050. Although the current liabilities of the current year exceed the current assets with R 1,351,421,846 (2016: 698,460,333) the municipality had an accumulated surplus of R 9,446,393,496. The total assets exceed total liabilities with R 9,493,385,974.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

| | 2017 R | 2016 R |
|--|-----------|-----------|
|--|-----------|-----------|

42. Going concern (continued)

In assessing whether the going concern basis is appropriate, management considered a wide range of factors surrounding current and expected performance, expected short and medium term economic environment in which the municipality operates, potential estimates of revenue, the power to levy rates and taxes and the fact that there are various multi-year funding arrangements in place that will ensure the continued operation of the municipality.

The municipality has adopted the four(4) pillars turnaround strategy in addressing going concern issues experienced by the municipality. These pillars are: a) Improve collection, b) Reduce distribution losses, c) Saving on expenditure and d) Credible indigent register.

Provincial Treasury has established the Emfuleni Support Team(EST) in collaboration with Sedibeng District Municipality(SDM) and Emfuleni Local Municipality to address amongst others cash flow and service delivery challenges.

43. Awards to close family member of an official/councillor

| Employee name | Capacity | Amount (R) |
|----------------------|-----------------|-------------------|
| SI Du Toit | Storeman | 665 454 |
| N Radebe | Senior clerk | 210 459 |
| PM Thusi | Adim clerk | 29 423 |
| Nkosingiphile Radebe | Senior Clerk | 466 749 |
| | | 1 372 085 |

44. Commitments

Council had the following Commitments as at 30 June 2017

Capital Expenditure

- Approved and contracted for Property, Plant & Equipment 569 109 437

Operational Expenditure

- Approved & Contracted 92 070 000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

45. Public private partnerships

Background

On the 2nd of December 2013, the municipality entered into an agreement with Beijing Fuxing Xiaocheng Electronic Technology Stoc Co. Ltd. (FXXC) for the supply and installation of 66 000 electricity single phase meters, 5 100 three phase meters and 83 123 water meters. The cost per meter and financial benefit to be derived from the installation of these meters are uncertain and is dependent on:

- Increasing user payment collections; and
- Reducing the bulk purchase costs incurred by the municipality for both water and electricity, where this performance must have a positive impact on the benchmarked operating losses incurred by the municipality for both water and electricity operating cycles.

Even though the installed items will take on the inherent attributes of an asset, the control and risk associated with the meters vest with the supplier for the duration of the contract, while the mandated responsibility of water and electricity supply cannot be ceded to the third party.

46. Operating lease

Operating leases - municipality as a lessor - property

| | | |
|-----------------------------------|----------------|----------------|
| Within one year | 109 170 | 352 084 |
| In second to fifth year inclusive | 39 268 | 148 438 |
| | 148 438 | 500 522 |

Operating leases - municipality as a lessee - fleet

| | | |
|-----------------------------------|-------------------|-------------------|
| Within one year | 15 223 077 | 25 986 200 |
| In second to fifth year inclusive | - | 15 405 187 |
| | 15 223 077 | 41 391 387 |

Operating leases - municipality as a lessee - property

| | | |
|-----------------------------------|-------------------|-------------------|
| Within one year | 7 535 072 | 7 535 072 |
| In second to fifth year inclusive | 31 998 665 | 39 533 737 |
| | 39 533 737 | 47 068 809 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

46. Operating lease (continued)

Operating leases - municipality as a lessee - office equipment

| | | |
|-----------------------------------|---------------|---------------|
| Within one year | 42 853 | 97 253 |
| In second to fifth year inclusive | - | 1 077 |
| | 42 853 | 98 330 |

Operating leases - Municipality as Lessor - Property

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%

No contingent rent was recognised as revenue because rentals increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee - Property

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating Leases - Municipality as lessee - Fleet

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Office equipment

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

47. Self - insurance reserve

| | | |
|-----------------|------------------|-------------------|
| Opening balance | 24 220 470 | 25 578 843 |
| Expenditure | (22 080 918) | (1 358 373) |
| | 2 139 552 | 24 220 470 |

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Emfuleni Local Municipality
Appendix A

Schedule of external loans as at 30 June 2017

| | Loan Number | Redeemable | Balance at Thursday, 30 June 2016 Rand | Received during the period Rand | Redeemed written off during the period Rand | Balance at Friday, 30 June 2017 Rand |
|---|------------------------|-------------------|---|--|--|---|
| Development Bank of South Africa | | | | | | |
| DBSA Loan (15.74%) | 13554/101 | 30.09.2020 | 15 969 353 | - | 964 285 | 15 005 068 |
| DBSA Loan at 3 months reset | 13959/101 | 31.03.2017 | 3 858 435 | - | 964 609 | 2 893 826 |
| | | | 19 827 788 | - | 1 928 894 | 17 898 894 |
| Lease liability | | | | | | |
| Fire and emergency | | 28.02.2016 | 537 798 | - | 400 488 | 137 310 |
| | | | 537 798 | - | 400 488 | 137 310 |
| Total external loans | | | | | | |
| Development Bank of South Africa | | | 19 827 788 | - | 1 928 894 | 17 898 894 |
| Lease liability | | | 537 798 | - | 400 488 | 137 310 |
| | | | 20 365 586 | - | 2 329 382 | 18 036 204 |

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2017

| Cost/Revaluation | Accumulated depreciation |
|------------------|--------------------------|
|------------------|--------------------------|

| Opening Balance | Additions | Donated and newly identified assets | AUC transfers | Fair value adjustments / Provision | Disposals/Der ecognition | Closing Balance | Opening Balance | Derecognition /Transfer | Depreciation | Impairment loss | Closing Balance | Carrying value |
|-----------------------|-------------------|--|--------------------|--|-----------------------------|-----------------------|------------------------|----------------------------|----------------------|--------------------|------------------------|----------------------|
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| 516 408 823 | - | - | 116 097 092 | 50 925 | (5 050 000) | 627 506 840 | (178 071 725) | 1 766 035 | (28 003 747) | - | (204 309 437) | 423 197 403 |
| 30 104 767 | - | - | (9 513) | - | (144 598) | 29 950 656 | (4 124 594) | 64 892 | (570 088) | - | (4 629 790) | 25 320 866 |
| 546 513 590 | - | - | 116 087 579 | 50 925 | (5 194 598) | 657 457 496 | (182 196 319) | 1 830 927 | (28 573 835) | - | (208 939 227) | 448 518 269 |
| 2 229 768 049 | 4 640 112 | - | 4 843 983 | - | (1 227 274) | 2 238 024 870 | (481 173 917) | 341 300 | (74 029 050) | - | (554 861 667) | 1 683 163 203 |
| 6 859 737 864 | 4 159 172 | 17 437 967 | - | - | (17 353 206) | 6 863 981 797 | (1 582 891 359) | 10 491 719 | (219 549 089) | (315 694) | (1 792 264 423) | 5 071 717 374 |
| 1 284 044 636 | 8 439 270 | 4 426 557 | (64 736) | - | (1 440 311) | 1 295 405 416 | (368 379 480) | 759 377 | (46 994 114) | - | (414 614 217) | 880 791 199 |
| 102 200 870 | - | - | - | 73 204 652 | - | 175 405 522 | (40 520 548) | - | (33 428 966) | - | (73 949 514) | 101 456 008 |
| 894 702 048 | 10 107 939 | 2 301 837 | 19 942 | - | (11 523) | 907 120 243 | (196 339 676) | 4 203 | (24 146 406) | - | (220 481 879) | 686 638 364 |
| 11 370 453 467 | 27 346 493 | 24 166 361 | 4 799 189 | 73 204 652 | (20 032 314) | 11 479 937 848 | (2 669 304 980) | 11 596 599 | (398 147 625) | (315 694) | (3 056 171 700) | 8 423 766 148 |
| 472 014 438 | - | 4 304 595 | - | - | (12 776) | 476 306 257 | (27 749 907) | 11 359 | (6 311 921) | (2 973 050) | (37 023 519) | 439 282 738 |
| 200 592 215 | - | - | - | - | (1 708 166) | 198 884 049 | (59 347 313) | 1 518 630 | (8 779 885) | (378 000) | (66 986 568) | 131 897 481 |
| 672 606 653 | - | 4 304 595 | - | - | (1 720 942) | 675 190 306 | (87 097 220) | 1 529 989 | (15 091 806) | (3 351 050) | (104 010 087) | 571 180 219 |

Emfuleni Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance | Additions | Donated and newly identified assets | AUC transfers | Fair value adjustments / Provision | Disposals/Derrecognition | Closing Balance | Opening Balance | Derecognition /Transfer | Depreciation | Impairment loss | Closing Balance | Carrying value |
|------------------------------------|-----------------------|--------------------|-------------------------------------|----------------------|------------------------------------|--------------------------|-----------------------|------------------------|-------------------------|----------------------|--------------------|------------------------|-----------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Heritage assets | | | | | | | | | | | | | |
| Heritage asset | 90 316 | - | - | - | - | - | 90 316 | - | - | - | - | - | 90 316 |
| | 90 316 | - | - | - | - | - | 90 316 | - | - | - | - | - | 90 316 |
| Other assets | | | | | | | | | | | | | |
| Machinery and equipment | 66 554 749 | 321 614 | - | 5 396 510 | 704 177 | (62 965) | 72 914 085 | (45 055 886) | (3 475 163) | (2 873 873) | (42 254) | (51 447 176) | 21 466 909 |
| Furniture and office equipment | 34 779 892 | 382 628 | - | 847 771 | 523 344 | (26 667) | 36 506 968 | (22 507 439) | (841 546) | (1 966 694) | (18 001) | (25 333 680) | 11 173 288 |
| Computer Equipment | 15 769 427 | 1 420 958 | - | 219 216 | 204 241 | (413 701) | 17 200 141 | (10 854 388) | 136 241 | (1 229 455) | (7 797) | (11 955 399) | 5 244 742 |
| Transport asset | 159 343 856 | - | - | 9 104 847 | 52 275 | (6 868 921) | 161 632 057 | (109 875 504) | (2 312 462) | (7 996 995) | (56 066) | (120 241 027) | 41 391 030 |
| Finance leased assets | 19 166 764 | - | - | (14 756 256) | - | (2 280 399) | 2 130 109 | (13 488 944) | 13 021 587 | (864 478) | - | (1 331 835) | 798 274 |
| Library boks | 37 911 942 | - | - | 503 969 | - | (16 745) | 38 399 166 | (26 987 362) | - | (814 140) | (195 550) | (27 997 052) | 10 402 114 |
| | 333 526 630 | 2 125 200 | - | 1 316 057 | 1 484 037 | (9 669 398) | 328 782 526 | (228 769 523) | 6 528 657 | (15 745 635) | (319 668) | (238 306 169) | 90 476 357 |
| Total property plant and equipment | 12 923 190 656 | 29 471 693 | 28 470 956 | 122 202 825 | 74 739 614 | (36 617 252) | 13 141 458 492 | (3 167 368 042) | 21 486 172 | (457 558 901) | (3 986 412) | (3 607 427 183) | 9 534 031 309 |
| Assets under construction | | | | | | | | | | | | | |
| Assets under construction | 442 411 063 | 256 491 505 | - | (5 389 913) | - | - | 693 512 655 | - | - | - | - | - | 693 512 655 |
| | 442 411 063 | 256 491 505 | - | (5 389 913) | - | - | 693 512 655 | - | - | - | - | - | 693 512 655 |
| Intangible assets | | | | | | | | | | | | | |
| Servitudes | 13 849 516 | - | - | - | - | - | 13 849 516 | - | - | - | - | - | 13 849 516 |
| Computer software | 29 407 218 | 2 031 326 | - | (715 819) | - | - | 30 722 725 | (23 306 555) | 620 444 | (2 331 057) | - | (25 017 168) | 5 705 557 |
| | 43 256 734 | 2 031 326 | - | (715 819) | - | - | 44 572 241 | (23 306 555) | 620 444 | (2 331 057) | - | (25 017 168) | 19 555 073 |
| Investment property | 1 405 108 508 | - | - | (116 097 092) | 139 234 862 | (5 602 370) | 1 422 643 908 | - | - | - | - | - | 1 422 643 908 |
| | 1 405 108 508 | - | - | (116 097 092) | 139 234 862 | (5 602 370) | 1 422 643 908 | - | - | - | - | - | 1 422 643 908 |
| Total | | | | | | | | | | | | | |
| Building Property | 546 513 590 | - | - | 116 087 579 | 50 925 | (5 194 598) | 657 457 496 | (182 196 319) | 1 830 927 | (28 573 835) | - | (208 939 227) | 448 518 269 |
| Infrastructure | 11 370 453 467 | 27 346 493 | 24 166 361 | 4 799 189 | 73 204 652 | (20 032 314) | 11 479 937 848 | (2 669 304 980) | 11 596 599 | (398 147 625) | (315 694) | (3 056 171 700) | 8 423 766 148 |
| Community Assets | 672 606 653 | - | 4 304 595 | - | - | (1 720 942) | 675 190 306 | (87 097 220) | 1 529 989 | (15 091 806) | (3 351 050) | (104 010 087) | 571 180 219 |
| Heritage assets | 90 316 | - | - | - | - | - | 90 316 | - | - | - | - | - | 90 316 |
| Other assets | 333 526 630 | 2 125 200 | - | 1 316 057 | 1 484 037 | (9 669 398) | 328 782 526 | (228 769 523) | 6 528 657 | (15 745 635) | (319 668) | (238 306 169) | 90 476 357 |
| Assets under construction | 442 411 063 | 256 491 505 | - | (5 389 913) | - | - | 693 512 655 | - | - | - | - | - | 693 512 655 |
| Intangible assets | 43 256 734 | 2 031 326 | - | (715 819) | - | - | 44 572 241 | (23 306 555) | 620 444 | (2 331 057) | - | (25 017 168) | 19 555 073 |
| | 1 405 108 508 | - | - | (116 097 092) | 139 234 862 | (5 602 370) | 1 422 643 908 | - | - | - | - | - | 1 422 643 908 |
| | 14 813 966 961 | 287 994 524 | 28 470 956 | 1 | 213 974 476 | (42 219 622) | 15 302 187 296 | (3 190 674 597) | 22 106 616 | (459 889 958) | (3 986 412) | (3 632 444 351) | 11 669 742 945 |

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2017

| Cost/Revaluation | Accumulated depreciation |
|-------------------------|---------------------------------|
|-------------------------|---------------------------------|